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Supreme Court, U.S.
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No. _____

In The Supreme Court of the United States

JOHN P. HALVONIK

Petitioner,

v.

JON W. DUDAS, DIRECTOR, PATENT AND TRADEMARK OFFICE

Respondent,

On Petition for a Writ of Certiorari to the Court of Appeals for the Federal Circuit

PETITION AND APPENDIX A, B AND C FOR WRIT OF CERTIORARI

John P. Halvonik,
15200 Shady Grove Rd.
Ste. 202
Rockville, MD. 20850
(301) 990 9393

Petitioner, pro se

QUESTIONS PRESENTED

1. Was the United States Patent Commissioner's adjudicative ruling that his agency's Committee on Discipline may satisfy regulation that they "meet, deliberate and vote," by signing off on a piece of paper circulated among its members in serial fashion, a reasonable interpretation of the authority given by Congress?

2. Was a charge that related to "all aspects" of patent attorney's handling of a patent application sufficient to put him on notice of a violation in following up the patent filing?

3. Was a charge of "knowingly" disregarding PTO Discipline rules sufficient to allege willful misconduct?

4. Whether the petitioner made a prima facie case of government bad faith and/or misconduct, so that denying him the right to call government witnesses in his own defense was a structural defect in the disciplinary process?

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IV. Reference to opinions of courts and agencies involved in this case.

The unpublished opinion of the Administrative Law Judge ("ID") was issued February 26, 1998. See Appendix B-1 et seq. The Final Decision ("FD") of the Commissioner of Patents and Trademarks was issued on March 4, 1999. See Appendix B at B-97 et seq. The decision and opinion of the District Court for the District of Columbia is reported at 398 F. Supp. 2d. 115 (D.D.C. 2005). See appendix: A-1, et seq. The Judgment of the Court of Appeals, Federal Circuit (CAFC) affirming the District Court under Federal Circuit Rule 32 was issued Aug. 8, 2006. See A-38. The unpublished order of the CAFC denying petitioner's motion for rehearing and hearing *en banc* was filed on October 25 2006 entered as a mandate on Nov. 3, 2006. *See* appendix A38-39.

V. Grounds upon which jurisdiction of the Supreme Court is invoked.

Title 28 U.S.C. §1254(1) of the United States Code provides for review of decisions of the Courts of Appeals by granting a writ of certiorari upon petition of any party to the U.S. Supreme Court. In this case, on Aug. 8, 2006, the CAFC entered an order affirming the judgment of the District Court under Federal Circuit Rule 36. Upon petitioner's combined motion for a rehearing and hearing and bank, the CAFC entered order denying petitioner's motions on Oct. 25, 2006.

VI. Constitutional Provisions, statutes and regulations involved in this case.

Vth. amendment, United States Constitution
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5 U.S.C. § 558.
5 U.S.C. § 706.
35 U.S.C. §2B2(d)
35 U.S.C. §32.

35 U.S.C. 255
37 C.F.R. § 1.52
37 C.F.R. § 1.56
37 C.F.R. § 1.52...(c) 1.
37 C.F.R. § 1.63.
37 C.F.R. § 1.67
37 C.F.R. § 10.1
37 C.F.R. §10.4
37 C.F.R. §10.23
37 C.F.R. §10.77
37 C.F.R. § 10.112
37 C.F.R. §10.132

VIII. Concise Statement of the Case.

A. Preliminary proceedings before the Administrative Law Judge (ALJ).

In a United States Patent and Trademark Office (PTO) disciplinary case against the petitioner the issue was raised as to whether the PTO's Committee on Discipline, had "met, deliberated and voted" in accordance with 37 C.F.R. 10.4. See petitioner's motion at C 10. After the Director submitted an initial affidavit stating how the regulation had been satisfied, the ALJ directed her to submit a second affidavit containing the date(s) that she submitted the Petitioner's case to the Committee, the date the Committee met regarding petitioner and the date they concluded that probable cause existed. She was also directed (order of 10/7/97) to submit an un-redacted copy of the written determination containing signatures of the Committee and any other analysis (B 14) supporting the determination of probable cause.[1] A day later she was allowed to produce the determination in redacted form to protect work product.

[1] See C 24-25; speeches of Director Bovard and former Director Weiffenbach explaining how the deliberative process of the Committee on Discipline works including when complaint is presented to the Committee "the evidence to support each count is attached to the complaint."

Meantime, petitioner asked (10/30/97) the ALJ to put the un-redacted version of the probable cause affidavit under seal and save it for appellate review in federal court, see C 17-18. Instead, the ALJ shredded the document, see C-29. In issue were the two affidavits (C 13-15) submitted by the PTO's Director of Enrollment and Discipline (Director) and a document entitled: "Probable Cause Determination," C 15, signed by those members of the Committee on Discipline ("Committee") that were ambiguous and evasive on the issue. The ALJ in particular had become concerned regarding the equivocal nature of the Director's affidavit that said she: "Called a meeting" and "returned the attached probable cause affidavit. "Why no date on the probable cause affidavit?" C 39. "Returned what does it mean?" C 41. "When did they conclude probable cause?" C 42. "To the best of her knowledge." C 40 Also the failure of the Committee's probable cause determination to have any dates accompanying its members' signatures concerned him. See B 21. Nothing on it associates it with a complaint or party.

The ALJ then ordered (C 30-31) one witness, of petitioner's choice, from the Committee to testify as to how it had met but would not allow examination on the substantive deliberations of the Committee.[2] The ALJ commented that it had been "like pulling teeth." C 34.

The PTO refused to produce the witness. The ALJ offered the PTO a second option to produce affidavits of Committee members that would confirm: the date they met, how they met, the date they reached their conclusion and the dates they signed the determination. The PTO produced affidavits that did nothing of the sort, but rather indicated that the paper had been signed off on over a period of months. See C 19-21.

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[2] The ALJ also asked petitioner's attorney to put into the record those papers and speeches of Harry Moatz and others Bates stamped 1000-1107 explaining how the Committee functioned, etc. Appx. C 11.

Instead of dismissing the case or ordering the PTO to produce the witnesses, ALJ ruled that petitioner had no right to call the members to testify on grounds that discovery had closed and judicial economy. (see B 22) Later, in his Initial Decision (ID) he ruled that the Committee had met in one of three different ways: by telephone, in person or by serial transmittal (also referred to as "serial coordination," B 22) Nowhere in the regulations does that term "serial transmittal" appear. The judge himself defined that term: "its like in the military where everyone takes a chop on a document." (C-27) This ruling of the ALJ that serial transmittal suffices for "meet, deliberate, and vote" was later approved by the Commissioner of Patents in his Final Decision (B 135) and the District Court ruled it as harmless error and a valid agency interpretation of its rule.

2. Motion to dismiss at trial for failure to charge mental state.

At trial, petitioner made motion to dismiss the remaining two charges (Nelson and Palmer) in the case on grounds that "willfulness," a necessary state of mind element of the crime, had not been pleaded in the complaint (See complaint at C 46.) Under the Administrative Procedures Act (APA) § 558 (c) a notice and an opportunity. to correct must be given to petitioner unless the violation is willful. As conceded by the PTO and all the tribunals, such a notice was never given in the case. After lengthy discussion, the ALJ noted that most statutes say "Knowing and willful" (C 47). He then denied the motion to dismiss (C 48). And said he would not dismiss the case, but rather he would hold the PTO to a willfulness standard that they would have to prove.

B. Trial before the ALJ: the Nelson charge.

In the Nelson matter, count II of the complaint, petitioner was charged with "filing an incomplete and incorrect patent application," (see C1)..as well as other charges that are now irrelevant. The incorrect/incomplete

problems of the patent application papers were: failure to change the word "sealant" to "adhesive" as requested by the client; the failure to include dimensions in a passage that had blank portions in it and failure to explain how the foam dam was removed once the windshield device was in place.

There were several defenses. Rather obviously, there are no PTO rules or ethical considerations that govern an incomplete or incorrect patent. Such a charge amounts to negligence and is not unethical conduct.

There were other defenses. It was pointed out that the patent application could not have been incomplete as otherwise it could not have issued as a patent (which it eventually did under a new attorney, Bernard Kretin fn: referred to as "Creighton"), after Nelson fired the petitioner. The patent was duly examined by an examiner of the PTO and issued in due course. Nelson's new attorney deleted the passage referring to dimensions without any issue being raised because the dimensions could be gleaned from the drawings. (C 42-43). Furthermore, the new attorney had the very same ethical duty as the practitioner which was not compromised by deleting the passage regarding dimensions. (C 42).

It was pointed out that as a practical matter, patent applications can be amended and wording changed or modified so long as no "new matter" is entered. In this case, even the PTO expert admitted that one could go back and change the word "sealant" to "adhesive" everywhere that the word adhesive appears in the patent since those properties were inherent. (C 42-44). He admitted that the urethane in Nelson's patent was used and functioned as a sealant He admitted that the PTO does not need every property of a material in an invention in order to issue a patent and that additional properties and advantages maybe claimed even after a patent is issued. (C 42-44)

Lastly, it was pointed out that petitioner could not have changed the patent application filing papers because it was well known that the attorney could never alter the patent

papers after the patent declaration had been signed. The premonition was commonly referred to as "Rule 56," See 37 CFR 1.56. Both defense and prosecution experts as well as petitioner testified to this practice however all were unaware that the rule had been recently changed. See new rule at...

During the trial it seemed the issue of new matter was simply a make-weight to show that Nelson's patent was not damaged by petitioner's mistake, but the issue was to haunt the case throughout the appeals process as the PTO continued to change it's arguments about why the word sealant could never have been changed to adhesive and why that was such a big deal.

At trial, the government complained that petitioner was on trial for not doing what the client wanted rather than negligence. "He is not being tried for malpractice..." (See C 57). The ALJ seemed to agree with this theory of the case and said the real issue had to do with following client instructions as that was the charge (C 53).

Finally it was pointed out that the entire issue amounts to negligence and not ethics. There is no PTO rule or ethical obligation to follow a clients instructions literally, and if the petitioner had failed to do so he would be liable for negligence, not misconduct.

C. Initial Decision of the ALJ (ID).

Summary:

In Nelson (Count II of the original complaint) Petitioner was found to be 1) grossly negligent in handling the patent filing, leading to a conclusion of Gross Misconduct. And 2) found to have committed gross neglect in obtaining a copy of what got filed.

In Palmer, he was found to have 1) violated PTO rule about returning funds to clients, although the ALJ said he did not reach the issue of funds, but thought it to be a refund. 2) guilty of not returning a commercially available aluminum

pie plate (retail value approx.: $1) that belong to Palmer as a result of office disorganization.

1. Willfulness is found by a finding of gross negligence.

Willfulness is a necessary element to find guilt in all charges in this case owing to the lack of an APA §558(c) notice (the PTO concedes this). The ALJ specifically found the practitioner did not willfully file the draft as a final application but that he did so as a result of gross negligence. (I.D. p. 60). He then erroneously concluded that gross negligence was also "gross misconduct" and an act of willfulness. Neither conclusion is correct:

> The undersigned's impression is not that Respondent is an inattentive practitioner, but rather one who under took more than he could reasonably handle....Respondent bears the ultimate responsibility for taking on more work than he could responsibly manage. His failure to do so resulted in his gross misconduct...Respondent's argument that PTO rules preclude an attorney from making any changes to an application after an inventor has signed a declaration misses the point. True, PTO rules do preclude such. However, because Respondent failed to exercise any due care, he never even recognized that he faced such a dilemma. Had he not been grossly negligent, he would have revised and resubmitted the application to Nelson for his re-review...I do not find that Respondent willfully intended to file the draft as Nelson's final application but that he did so as a result of his gross negligence. (I.D. p. 60-61; underlines mine)

This rationale of the ALJ that unintentional mistakes because of overwork are equivalent to willfulness is wrong and no authority anywhere supports it.

2. Original Nelson charges rejected; new charges created.

All the charges in the complaint specifically having to do with Nelson were rejected by the ALJ. He specifically found the practitioner not guilty of the only charge in the complaint directly related to the Nelson patent filing, viz.: neglect of a legal matter entrusted to him. The ALJ said:

> Both experts and even Nelson substantiated that Respondent's actions in preparing the Nelson application were timely or responsive to the matter. Based on my interpretation that "neglect" as used in §10.77(c) is somewhat different from negligence and is intended to insure that practitioner's do in fact handle their clients matters and do so promptly and diligently, I conclude that Complainant failed to prove by clear and convincing evidence that Respondent's actions leading to the filing of the application were neglectful...Accordingly, while grossly mishandling Nelson's application, other than failing to timely follow up, Respondent's misconduct was not an example of neglect. (ID at p. 61-62)

That should have been the end of the charge, but it wasn't. The ALJ, sua sponte, found petitioner guilty of two new charges:

1) ***that the practitioner had a "scheme"*** to violate a PTO rule regarding filing. This scheme was the underlying finding for a finding of gross misconduct; and;

2***) gross neglect in failing to follow up the Nelson filing*** by getting a copy of which papers actually got filed.

Neither of these two charges were ever charged thus violating the safeguards of In re Ruffalo 390 U.S. 544 (1968)

and Wilner v Committee on Character and Fitness, 373 U.S. 96, (1963). On the issue of the scheme:

> "...I do find that respondent countermanded his earlier instructions to Nelson and that by doing so he encouraged and directed his client to circumvent the PTO rule as to when an inventor should sign the declaration (I.D. p 59)
> ...I find that there is clear and convincing evidence substantiating that Respondent acted in careless disregard of the requirement that his client sign the oath after reading Respondent's last version. This amounts to gross negligence and misconduct." (I.D. p. 60)

During the sentencing portion of the hearing the ALJ again explained the basis for his ruling:

> "It's that he proposed, advanced and participated in a scheme essentially to avoid a patent and practice rule, and that's the misconduct." (C 58)

As to the scheme, the ALJ had first found petitioner guilty of acting with careless disregard and gross negligence; then went right on to say it was misconduct. Neither careless disregard or gross negligence can support a finding of misconduct which requires, knowledge of a duty and knowing what you're doing is wrong or, acting with such reckless or gross disregard as to amount to intentional misdeed.

3. Incorrect civil standard of pleading.

The ALJ specifically noted that this charge of neglect had not been charged and specifically held that this case was one of notice pleading incorrectly treating it as if it were a civil standard, merely requiring notice pleading:

> While not specifically noticed as neglect in the Complaint, respondent did neglectfully fail to timely follow up and review the PTO file as Nelson requested…Given that this is a civil proceeding, specific fact pleading is not required. The complaint's notice pleading charging neglect…was therefore sufficient to Notice respondent…(ID p. 61).

This civil notice pleading standard clearly violates Due Process as this court clearly stated in: In re Ruffalo.

The ID at p 60/ 63 said petitioner's actions were not willful but rather one of gross negligence. He said the petitioner's rule 56 state explaining the entirety of what happened in the Nelson patent filing was the very basis for his gross negligence ruling. He said the statement was entirely truthful, no fraud or deceit in the filing. See....

4. Palmer Charges: Refunds are client funds; failure to return the pie plate is not willful.

A. On the issue of refunding Palmer's money. The petitioner had sent her a refund check for an amount he thought fair. A few days later, Palmer's attorney had called him, and said that if they didn't get a full refund they would return the check and would litigate for the full amount. Upon hearing this petitioner stopped payment on the check. The ALJ ruled that it was a refund and not a client fund, but that if petitioner owed her money it was still covered by regulation covering client funds.[3]

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[3] j. Terrill: I didn't reach that issue [client funds] and quite frankly, I'm not sure that that artifice needs to be breached because I think that if in a practitioner's mind he knows that he owes a client a refund, they are no longer his funds. Mr. Fitzgerald: That's the basis of your Honor's ruling and…j. Terrill: That is correct. (C-58)

B. On the issue of failing to return the commercially available pie plate (value approx. $1) to Palmer he ruled that such failure was a result of disorganization and not a willful violation.[4]

D. The Commissioner's Final Decision (FD)

1. Failure of Committee to meet.

In regards to the Committee. The Commissioner in his Final Decision, B 125 et seq. said that "there was no evidence that the Committee hadn't met." He also adopted the ruling of the ALJ by saying that it was acceptable for the Committee to meet by "transmittal coordination." B 135.

2. The "scheme" to violate a rule becomes a new matter issue.

After the trial petitioner learned that rule 1.56 had been amended 9 months prior to the Nelson filing to allow for last minute mark ups and alterations to be made to patent application papers, presumably by attorneys hundreds of miles away. At the same time, new rules 1.52 and 1.67 were introduced to account for this. (See amended rules 1.52 and 1.57 at C 51, 54). Therefore, it would have been legally impossible to have a "scheme" to attempt to change the patent application papers as there is nothing wrong with altering the papers after signing so long as a Supplemental Oath (see above rules) is filed

It was pointed out on appeal, that there is no longer absolute prohibition on changing the patent application papers that are to be filed; neither now or at the time of the

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[4] "I concluded that Respondent's confusion regarding the whereabouts of Palmer's materials was related to his office being disorganized and his practice being overloaded. While inuring against a willful violation, there is no excuse for his failure return his client's materials, even if such caused her no harm. (B 102).

Nelson filing. It would have been legally impossible for the practitioner to have committed the act of misconduct found by the ALJ in regard to the Nelson filing because none of the acts surrounding the filing were prohibited. There is no rule that precludes making changes to the application after the signing of the declaration. (old rule 37 C.F.R. 1.56 prohibiting this had been abolished in March, 1992, 9 months prior to the facts in Nelson). Changes can be made to the application after the declaration is signed, they simply have to be identified and a supplemental oath then filed. See both 37 C.F.R. 1.67(c) and 1.52(c)

Meanwhile, on appeal, the government said that to change "sealant" to "adhesive" would "risk" a new matter rejection (C 47). They also said that if one were to attempt to add dimensions into the blank passages in the patent papers it would be new matter.

Throughout the appeals process, the government has not referred to either old rule 56 or the new rules that cover patent filings while insisting that the Nelson patent filing violated some rule that has never been mentioned.

3. Failure to charge neglect, cured by pre-trial brief.

The PTO adopted a new theory on appeal to the Commissioner (p 16, Director's Reply Memorandum) that the pre-trial statement filed on 9/11/97 was sufficient to have put petitioner on notice of the new charges he was facing. This pre trial statement brief or statement (c 22) was not mentioned by the ALJ at all in his ID. The PTO also claimed in the same Reply that "handling all aspects of Nelson's application constituted conduct that adversely reflected on his fitness to practice." (p. 15)

In a later round of briefing it was pointed out by petitioner that even the specific facts mentioned in the pre-trial brief (not communicating with Nelson in re: to the status and what got filed) had nothing to do with the added charge: obtaining a copy of what got filed.

Petitioner also pointed out that aside from failing to charge wilfullness, in count II, petitioner was never charged with the legal conclusion of Neglect in following up the Nelson filing; let alone "neglect in obtaining a copy from the PTO of what papers actually got filed." (See complaint at C 1-2) Also it was pointed out that he was never charged with having a "scheme" to violate a rule.

E. District Court Judgment (Appendix A-1 et seq)

In regards to the issue of the Committee and whether the charge of wilfullness had been presented to it, the D. Ct. said petitioner did not raise the issue of whether willfulness had been presented to the Committee. However on p. 12 of petitioner's Appeal to the Commissioner, petitioner argued: "there is no evidence that the Committee on Discipline was asked to considered charges that respondent willfully violated his duties with respect to each issue." The issue was briefed to Patent Commissioner[5] and the Government did not object then. Moreover, both the District Court and Commissioner have the power under the Administrative Procedures Act to review the entire record de novo, to see if errors of law were committed.

The District Court found that gross negligence can suffice to support a charge of willful misconduct.

The District Court held that petitioner "failed....to follow PTO rules regarding signing of the final declaration." (D.Ct. p. 28). Again, no rule has yet to be cited for this proposition

Petitioner argued that no rule was broken in the Nelson filing and a "scheme" to violate a rule about filing was impossible given there was no rule against changing

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[5] See C 59-60, Appeal of Respondent to Commissioner of Patents, on C-60 where reference is made to Bates stamped documents: 1100-1137 containing those speeches and presentations of the Office on Enrollment and Discipline where reference is made explicitly to the attachment of supporting documentation to the probable cause affidavit.

patent papers after the declaration has been signed. PTO rules 37 CFR 1.52 and 1.67 expressly provide for this.

Despite the legal impossibility, the District Court seems to think the practitioner is bound by the erroneous statement of law of his expert. (D.Ct. p. 30). That court goes on claim that by creating risk to his client, the attorney clearly commits misconduct. That theory confuses negligence with misconduct

The District Court in fn. 25, p. 28 claimed that use of the word "sealant" versus "adhesive" and the blank passage relating to preferred dimensions were "defects" in the patent. There is not ethical consideration against "defects."

On appeal it was argued that petitioner was not given notice of the new charges and this violates Due Process (C 43-45). The charges in a disciplinary proceeding must be made with reasonable specificity. See In re Klein 407 F. Supp. 570 (S.D.N.Y. 1976) See also Ruffalo.

The District Court saw no Due Process problem with failing to charge neglect and a "scheme," reasoning that the charge of "filing an incorrect and incomplete application" was sufficient to give notice of neglect in following up the patent filing and also that the Director's Pre Trial Brief was sufficient to correct any deficiencies (D.Ct. p. 25-26).

Petitioner raised the issue that the neglect found by the ALJ had to do with the practitioner's ability to get the original filed patent application from the PTO files. These acts were never mentioned in the pre trial brief, assuming arguendo that such a document could provide Notice. Given that petitioner was taking active steps of locating file and conversing with Nelson (testimony at C 39-42 and findings at B 45-46, B-80), it is possible that had he been aware of that charge he could have taken discovery and/or put on witnesses to prove why there was a delay in locating the case during the period Dec.'93/Jan '94.

In regards to the charge of neglect in getting copy of what got filed. The District Court said that because the complaint related to all "all aspects" of the handling of the

case, the petitioner had suitable notice of what he was found guilty of.

The District Court held that the petitioner raised the issue of the pre-trial statement/notice too late:

> Halvonik for the first time objects in his concluding brief to the ALJ's additional findings regarding the neglect of a legal duty charge...claiming that the ALJ's decision was also unsupported by substantial evidence. (D.Ct. fn. 22, **p. 26**)

The practitioner's argument was a counter argument in response to the PTO's argument to the Commissioner that the pre-trial statement was sufficient to put him on notice. See p. 14, of the PTO's Respondent's Opposition to Petitioner's Motion for Summary Judgment, filed Sept. 13, 1999. C 43-44. PTO brought up the theory after the trial (the ALJ never even mentioned the pre trial brief). The practitioner countered this during the appeal to the Commissioner, by showing that the facts averred in the pre trial statement were not upheld as violations by the trial court.

The District Court claimed that Halvonik had "intentionally structured" his practice so that overwork and mistakes would occur. This is impermissible fact finding by the appellate court. See also fn. 27 of the decision where D. Ct. suggests that because lawyers are presumed to know the law they might be presumed to know exactly what they are being charged with.

IX. Reasons for granting the writ.

A. A ruling in this case will bring some measure of uniformity among government agencies that cannot agree on minimum standards of due process.

Among federal agencies there are conflicting standards of proof of what will suffice to prove scienter in proceedings before those agencies. Some agencies will hold parties to a "reckless disregard" standard while others hold them to the lesser "careless disregard" standard. Nor is this all, some agencies insist that it must be proven by intentional misdeed and some set a far lower standard. (See e.g. Rizek v S.E.C., 215 F.3d 157 (1st Cir. 2000) "more like a lesser form of intent").

The largest block of "lower standard" circuits adhere to a: "Does an act intentionally irrespective of motive, or careless disregard" standard. See e.g. American Fruit Purveyors, Inc. v USA, 630 F.2d 370 (5th. Cir. 1980); Haltmier v C.T.F.C. 554 F.2d 556 (2nd 1977); Geo. Steinberg and Son v Butz, 491 F.2d 988 (2nd. Cir. 1973); Silverman v Commodity Futures Trading Commission, 549 F.2d 228 (7th. Cir. 1977); Goodman v Benson 286 F.2d 896 (7th Cir. 1961) Easter Produce Co. v Benson, 278 F.2d 606 (3rd Cir. 1960). Potato Sale Co. v. U.S. Dep't of Agric., 92 F.3d 800, 805 (9th Cir. 1996); Koden, 564 F.2d at 234.

Perhaps the lowest standard of all is that of Cox v U.S.D.A. 225 F.2d 1102,1105 (8th. 1991). An event that occurs three times (e.g. the wrong date entered on a ledger) creates a presumption of willfulness.

In this case, the PTO itself has been arguing for the standard of Koden, the very low standard,[6] since the start of the trial, see C47. This court could unify what the standard is to prove willfulness in government agency proceeding. Such ruling would no doubt effect millions of people and be an effective use of this court's limited resources Moreoever, in

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[6] That when one intentionally does an act irrespective of evil purpose it is willful. See Koden v U.S. Dept of Justice, 564 F.2d 218 (7th Cir. 1977)

this case, the PTO is attempting to set a standard of proof different from the jurisdiction (CAFC) that it operates under

The problems with the legal process, that petitioner, a solo practitioner has had in this case are not unlike those that happened to a much larger entity, TVA, in Whitman v TVA, (No. 00-15936) (11th Cir. 2003). In that case, the agency's ACO's were set aside as not having legal status (and thus the court had no jurisdiction). The court's reasoning was that Congress could not have intended these proceeding to have the force of law as they were so lacking in due process and were run on an ad hoc basis. A result due to lack of any sort of safeguards including no discovery, defendant not entitled to compulsory process, and no findings of law upon which to make a review of the record, and essentially an invented ad hoc procedure...Even the ALJ was quoted as saying: "[the procedure] is not described in any rule or regulation or statute and that's the only way to look at it. There is no precedent."

Just like in Whitman, Halvonik was denied the right to compulsory process and there seemed to be lack of precedent in the Committee system although it had been in existence for 12 years. In Halvonik, the ALJ expressed some interest early on in finding out whether circulating a document was the normal way of doing things at the Committee or some new way. At one point, the ALJ says he wants to question Member Sams to make sure they followed their normal procedure, and petitioner's attorney says: "Suppose he says, this is the first time we ever did it this way." Judge: "We'll have to cross that bridge when we come to it." C-39. This court can bring a measure of uniformity among government agencies in basic procedural rights such as right to call witnesses, notice of charges, etc. when entities are before agencies where valuable property rights and privileges are involved.

B. A ruling in this case could confer due process protections not only federal workers and license holders but criminal defendants as well.

There is a clear and well established circuit court conflict on the question of whether the omission from a federal indictment of an offense element (that increases the penalties) can constitute harmless error. The solicitor general in his amicus petition in the recent case of United States v Resendez-Ponce (U.S. 1/9/97) has summarized them there. After reading j. Scalia's dissent in the latter case, it is no suprise that this court had expressed an interest in ruling on the issue of harmless error in an indictment such as the one in Resendez-Ponce.

Halvonik, being a quasi criminal case in which many if not all of the traditional due process standards should apply including the due process right to have Notice of charges. Cases like: Ruffalo and Wilner have made this clear over the years if it wasn't clear already. Therefore, this case could result in a ruling on harmless errors that effect both criminal as well as agency decisions. Given that this court like all courts has limited resources, a case like Halvonik will spare judicial resources because it can affect two groups of litigants.

There is no reason why an analysis of the indictment found in Halvonik cannot be used to analyze any criminal indictment for harmless error.

C. The District Court decision in Halvonik creates a conflict of laws at odds with the other federal courts.

All if not most federal courts agree that Gross Negligence cannot support a legal conclusion of Willfulness. Gross negligence is not the equivalent of willfulness or intent. "Gross misconduct" consists of conduct which is deliberately done and which is bad in and of itself or is "generally condemned by responsible men." In re Ruffalo 390 U.S. 544, 554 (1968), White, concurring. Negligence, no matter how gross, does not substitute for willfulness; which requires actual awareness that what one is doing is wrong or such gross disregard of a duty as to amount to willfulness.

Relying on Jaskiewicz v Mossinghoff, 822 F. 2d 1053 (Fed. Cir. 1987);7 In re Ratzloff, 510 U.S. 135, 114 S.Ct.655, 126 L.Ed.2d 615 (1994); Capitol Packing v. United States, 350 F. 2d 67 (10th Cir. 1965) and In re Hutto Stockyard, Inc. v U.S.D.A., 903 F. 2d 299 (1990).

This is the uniform law in all federal courts. Now the District Court has taken the position that gross negligence (as found in the Nelson filing) can suffice to support a charge of willful misconduct. Citing Koden v U.S. Dept of Justice, 564 F.2d 218 (7th Cir. 1977). This was accepted by the CAFC as well when they dismissed petitioner's appeal of the District Court's decision. This is at odds with the CAFC's own opinion in Jaskiewicz as well as this court's line of cases in particular: Ratzlaff and Cheek.

This court should overrule Halvonik on the ground that the decision that gross neglect can support a legal conclusion of willful misconduct is at odds with common law principles in all federal jurisdictions and will create a circuit split in law where none need to exist.

D. The Circuit Court's Decision is in conflict with many of it's own reported cases.

The CAFC's decision to affirm Halvonik v Dudas creates discord within the CAFC itself, which in turn will lend discord to those agencies that practice in front of it. There is a body of cases within this circuit that hold that those in jeopardy of losing privileges and property in front of federal agencies must have proper notice of charges being raised against them. See e.g. Hernandez v. Dept of Educ., 42 M.S.P.R. 61, 71 (1989); Gottlieb v. Veterans Admin., 39 M.S.P.R. 606, 609 (1989). O'Keefe v. U.S. Postal Serv., 318 F.3d 1310, 1315 (Fed. Cir. 2002); Lachance v. Merit Sys. Prot. Bd., 147 F.3d 1367, 1371-72 (Fed. Cir. 1998); Shaw v. Dept of the Air Force, 80 M.S.P.R. 98, 106-07 (1998). There

is no reason for the CAFC to now create a situation where the many federal workers whose worker's comp claims and other such claims are decided by this court are nowin danger of losing basic due process rights due to this aberrational ruling.

PRAYER FOR RELIEF

It is respectfully requested that the writ be granted.

John P. Halvonik, petitioner, pro se
Rockville, MD. 20850
January, 24, 2007

Appendix A. District Court Decision.

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLUMBIA

JOHN HALVONIK,

Plaintiff,

Civil Action

JON W. DUDAS

No. 99-863

Under Secretary of Commerce
for Intellectual Property
and Director of the United States

Patent and Trademark Office

Defendant.

MEMORANDUM OPINION

In this case, the Court is asked to review the seven month suspension of John P. Halvonik ("Halvonik") from the Patent and Trademark Office ("PTO"). In proceedings below, the PTO charged Halvonik with three counts of misconduct. An Administrative Law Judge ("ALJ") found Halvonik guilty of certain charges contained in two counts, but dismissed one count as barred by the statute of limitations. Much of the ALJ's decision was affirmed on appeal to the Commissioner of the PTO ("Commissioner"). Thereafter, Halvonik sought judicial review by this Court claiming that the PTO had (1) violated its own rules, (2) did not accord him due process, and (3) misapplied the law. This matter is now before the Court on the parties' Cross-Motions for Summary Judgment. The Court affirms the **|Page 2|** PTO's

decision. The Petitioner's Motion for Summary Judgment is denied and the Respondent's Motion for Summary Judgment is granted.

BACKGROUND[8]

Halvonik graduated from Allegheny College with a Bachelor of Science in Chemistry and attended American University Law School ("American"). Halvonik Tr., Nov. 13, 1997 ("Halvonik Transcript"), PTO 02121, PTO 02121 (p. 958).[9] While at American, Halvonik pursued an interest in patent law, id. at PTO 02121-22 (pp. 959- 60), and worked at law firms where he conducted patent searches. Id. In 1987, while still a student at American, Halvonik took and passed the Patent Bar. Id. at PTO 02122 (p. 962). The following May, Halvonik graduated from American. Id. Thereafter, he became licensed before the PTO and took and passed the Pennsylvania State Bar exam.[10] Id.

[3] Following his graduation, and during and after his completion of the Pennsylvania Bar exam, Halvonik worked as an independent patent searcher for law firms. Id. at PTO 02122 (p. 961-62). His practice gradually grew into an independent practice with its own, non-legal, clientele. Id.

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[8] Pursuant to Local Civil Rule 7.1(h), "[i]n determining a motion for summary judgment, the Court may assume that facts identified by the moving party in its statement of material facts are admitted, unless such a fact is controverted in the statement of genuine issues filed in opposition to the motion." Furthermore, because this case involves an administrative appeal, the Court relies on the evidence contained in the Administrative Record.

[9] 2 The record in this case has been given bates numbers in the form PTO ____. Because the ALJ and Commissioner relied on the page numbers of the document themselves, those page numbers are included in parentheses following the bates number.

[10] To the best of the Court's knowledge, Halvonik is still a member in good standing of the Pennsylvania State Bar and is licensed to practice before the PTO.

However, throughout his legal practice Halvonik never worked as an associate employee of a law firm, id. at PTO 02122 (p. 965), or associated himself with a more senior attorney, id. at PTO 02123 (p. 966). Rather, he started off by "hanging out a shingle" and putting ads in the Yellow Pages and magazines that he was available for patent work. Id.

In his practice, Halvonik business model catered to "small, independent inventors," to whom he would offer "[t]imely, efficient patent services" focusing on the drafting of patent applications. Id. at PTO 02123 (pp. 967-68). Additionally, he sought to attract clients with flat fees, at rates lower than the hourly rates offered by competing firms. Id. at PTO 02123 (pp. 968-69). As the Administrative Law Judge recounted Halvonik:

> [W]as a relatively new practitioner who hung his shingle out with little guidance from a more seasoned practitioner. By doing so, he received significant economic benefits . . . . [His] marketing strategy of undercutting his competition generated 250-275 client actions per year. Essentially such amounts to over one action per day. . . . The undersigned's impression is not that Halvonik is an inattentive practitioner, but rather one who undertook more than he could reasonably handle and as a result his practice began to resemble that of the 'little Dutch boy' running to put his finger wherever the dike was leaking.

[page 4]

Initial Decision in Bovard v.Halvonik. ("Initial Decision"), PTO 00973, PTO 01039-40 (pp. 59-60).

As the ALJ's Decision implies, Halvonik's relative inexperience, combined with an increasing work-load,

eventually had consequences. As a result, starting in 1990, the PTO began to receive complaints regarding Halvonik's work and conduct. See Joint Stipulation of Facts in Initial Decision, PTO 00973, PTO 00993 (p. 21) at ¶ 11. The first complaint was brought by "individual inventor" Robert Marcon ("Marcon"). Id.[11] Marcon had retained Halvonik to search the validity of a patent. Id. at ¶ 3. Although Halvonik estimated that the search would take four weeks, Halvonik (a) did not provide a final report until ten months later, (b) repeatedly gave assurances of when he would provide a finished report, but (c) never honored those assurances. Id. at ¶¶ 4-9. During the course of their relationship, Marcon wrote to the PTO in December 1990 complaining about Halvonik, "particularly in regard to the delay in receiving the formal report and what he perceived to be Halvonik's lack of responsiveness to his telephone inquiries." Id. at ¶ 11. The PTO notified Halvonik of Marcon's complaint and invited him to respond. Id. at PTO 00994 (p. 22) at ¶ 12. After receiving Halvonik s response, on November 4, 1992, the Director of Enrollment and Discipline advised Halvonik by

[Page 5] letter that:

> I have decided not to present this case to the Committee on Discipline at this time, but to give you the opportunity under 5 U.S.C. § 558(c) to come into compliance with the rules and regulations of the PTO. Accordingly, this investigation is terminated at this time. However, this matter will be considered in dealing with any further complaint or evidence of misconduct which may come to the attention of the office in the future.

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[11] Although part of the original Complaint against Halvonik, the ALJ found that this charge was barred by the statute of limitations. Initial Decision, PTO 00973, PTO 00992 (p. 20).

Id. at ¶ 13. Unfortunately for Halvonik, the PTO received additional complaints from two of Halvonik s other clients. These complaints, from Jack Rick Nelson ("Nelson"), id. at PTO 00995 (p. 23) at ¶ 32, and Diane Palmer ("Palmer"), id. at PTO 00996 (p. 24) at ¶ 48, provide the basis for this case.

A. APPLICATION ON BEHALF OF NELSON:

In August 1992, Nelson retained Halvonik to prepare and file a patent application for his invention of "a molding strip to be used in replacing automobile windows." Id. at PTO 00994 (p. 22) at ¶ 15. During the course of their relationship, Halvonik would send drafts of the application to which Nelson would proffer suggestions. Initial Decision, PTO 00973, PTO 01038 (p. 58). However, by the third iteration of this process, Halvonik still had not begun to make many of Nelson's suggested revisions despite the fact that, in the ALJ's words, Halvonik "was effectively being spoon-fed by his own client and should have grasped and made the requested changes and likewise should have included a preferred embodiment and a descriptive disclosure . . . ." Id. The ALJ **[Page 6]** found that during a telephone call on October 21, 1992, Halvonik had promised to make specific "changes and additions" and "asked Nelson to sign . . . the necessary paperwork to file the application . . . ." Id. at PTO 01038-39 (pp. 58-59). Based on the assurances that Halvonik would make the agreed upon revisions, Nelson signed the paperwork necessary to file the application even though he knew the application, in its then present form, to be incomplete. Id. at PTO 01005-06 (pp. 32-33). The next day, Nelson sent Halvonik the signed Patent Declaration and the $355.00 filing fee. Joint Stipulation of Facts in Initial Decision, PTO 00973, PTO 00994 (p. 22) at ¶ 22. On October 29, 1992, Halvonik filed the application with the PTO without the agreed upon revisions. Id. at ¶ 23; Initial

Decision, PTO 00973, PTO 01040 (p. 60). The ALJ found that, "[a]s a result of his lack of follow-through and failure to carefully scrutinize that which he was about to file, Halvonik filed an application which did not conform to the inventor's intentions, which had been clearly expressed to him on several occasions prior to the time Nelson signed the declaration." Initial Decision, PTO 00973, PTO 01040 (p. 60). Nelson did admit that he asked Halvonik to file the application "as soon as possible" early in his relationship with Halvonik id. at PTO 01004 (p. 32), and never communicated anything to the contrary thereafter. Id. Nevertheless, the ALJ found that Nelson had not put "a significant degree of pressure on [Halvonik] to justify the **[Page 7]** misfiling of his application. Initial Decision, PTO 00973, PTO 01040 (p. 60).

Following the filing of the application, Nelson inquired regarding the final filing Halvonik made on his behalf. Joint Stipulation of Facts in Initial Decision, PTO 00973, PTO 00995 (p. 23) at ¶ 24. In November, Halvonik sent Nelson a copy of the draft application without any of the agreed upon revisions. Final Decision in Bovard v. Halvonik, ("Final Decision"), PTO 02568, PTO 02571 (p. 4). Thinking that Halvonik had mistakenly sent him the wrong version, Nelson phoned Halvonik attempting to determine which version had been filed. Id. Although Halvonik received the PTO filing receipt sometime in December 1992, he did not review the application file until late January 1993, or notify Nelson that he received the filing receipt. Id. In early February, Halvonik advised Nelson that he had "screwed-up" in that he filed the application without the agreed upon revisions, id., and that an "Office Action"[12] had been issued

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[12] After an initial analysis of a patent application, the PTO communicates to the filer any of its objections to, or rejection of, the application. See Herbert F. Schwartz, Patent Law &Practice 15-16 (1995); see also 35 U.S.C. § 132(a) (2000). This notification is termed an "office action."

by the PTO regarding the application. Joint Stipulation of Facts in Initial Decision, PTO 00973, PTO 00995 (p. 23) at ¶ 25. The following day Nelson discharged Halvonik and subsequently retained new counsel, id. at¶ 26, to whom he paid $2,500 to handle his application, Initial **[Page 8]**

Decision, PTO 00973, PTO 01041 (p. 61) n.12. On February 19, 1993 Nelson filed a complaint with the PTO regarding. Halvonik. The PTO charged Halvonik with violating six disciplinary rules in connection with Nelson's application, Compl., PTO 00007, PTO 00014-15 (pp. 8-9) at ¶ 50.

B. APPLICATION ON BEHALF OF PALMER:

In late March 1993, Palmer retained Halvonik to prepare and file a patent application for a kitty litter box claimed to be completely waterproof. Final Decision, PTO 02568, PTO 02571 (p. 4). Along with a check for $1,300 and the necessary disclosure forms, Palmer sent her invention to. Halvonik. Id. at PTO 02571-72 (pp. 4-5). A month later, Halvonik sent Palmer a draft of a patent application with at least four errors. Id. at PTO 02572 (p. 5). According to the ALJ, the "initial draft of the Palmer application did not measure up to [Halvonik's] own nor the expert's standard for what is an acceptable first draft . . . ." Findings of Fact in Initial Decision, PTO 00973, PTO 01065 (p. 85) at ¶ 19. Dissatisfied with his draft, Palmer sent Halvonik an eight-page revision with penciled figures on May 10, 1993. Id. at ¶ 20; Joint Stipulation of Facts in Initial Decision, PTO 00973, PTO 00995-96 (p. 23-24) at ¶ 36. However, upon further reflection, on May 19, 2003, Palmer telephoned Halvonik that she wished to discontinue his services. Final Decision, PTO 02568, PTO 02572 (p. 5). In response, later that same day, Halvonik faxed Palmer a new draft of **[Page 9]** the application which was nearly verbatim of Palmer's revised

draft but still did not contain a claim section.[13] Id. Still displeased, Palmer discharged Halvonik and demanded he return a portion of the fee she had already paid, Findings of Fact in Initial Decision, PTO 00973, PTO 01065 (p. 86) at ¶¶ 28-30. Palmer also sent a letter the next day confirming Halvonik's discharge and requesting a complete refund. Joint Stipulation of Facts in Initial Decision, PTO 00973, PTO 00996 (p. 24) at ¶ 40. Palmer followed up with another letter dated June 12, 1993 demanding the return of the fee she paid and her disclosure materials. Id. at ¶ 41.

In late July 1993, Halvonik sent Palmer a $500 check with a letter explaining:

> I [sic] reference to your recent request for a refund of money you paid for a patent application. I am enclosing a check for $500 based on the original filing fee paid less my hourly rate ($90) times hours spent on the project.
>
> I feel this is fair as it is based on the time I spent writing two drafts of the application as well as time on the phone with you in the first week of April and second week of May.
>
> If this is unacceptable please call or write.

Findings of Fact in Initial Decision, PTO 00973, PTO 01066-67 (pp.

[Page 10]

86-87) at ¶ 34. On July 26, 1993, Palmer advised Halvonik by letter "that she believed the refund should be for more

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[13] A claim section is the concluding portion of a patent applicant which "particularly and distinctly define[s] the subject matter that the inventor regards as his or her invention. The claims set the metes and bounds of the patent owner's exclusive rights." Herbert F. Schwartz, Patent Law & Practice 11 (1995); see also id. at 73.

than $500.00." Id. at PTO 01067 (p. 87) at ¶ 35 . Palmer also retained counsel, attorney Joel Sachs, who sent Halvonik a letter requesting a full refund and a return of her disclosure materials, specified that Palmer would not cash the check until the full amount owed was tendered, id. at ¶ 36, and further provided that if Halvonik did not tender an additional check for $800.00 the $500.00 check would be returned so that Halvonik could write a check for $1300.00. Id.

Although advised by her new attorney not to cash the check, Palmer did attempt to cash the check in September but discovered that payment on the check had been stopped. Id. at ¶ 37.

Halvonik never did file an application on behalf of Palmer, and Palmer never received a refund or the return of her materials. Id. at ¶ 37; see also Count Three and Relevant Admissions/Denials in Initial Decision, PTO 01027, PTO 01029 (p. 49) at ¶ 63. Palmer referred this matter to the PTO which subsequently charged Halvonik with misconduct. In its Complaint, the PTO charged Halvonik with five violations of the PTO's disciplinary rules with regard to his handling of Palmer's application. Compl., PTO 00007, PTO 00017 (p. 11) at ¶ 67.

C. PRIOR PROCEEDINGS AND THE ISSUE FOR THIS PROCEEDING:

In its Complaint, the PTO charged Halvonik with misconduct **[Page 11]** relating to his handling of Marcon's, Nelson's, and Palmer's applications. The ALJ dismissed the Marcon count as barred by the statute of limitations. The ALJ held a trial regarding Nelson's and Palmer's applications, collecting evidence from Nelson, Palmer, and patent law experts produced by both the PTO and Halvonik, as well as testimony by Halvonik himself. Following this trial the ALJ

found Halvonik guilty of certain charges made by the Disciplinary Committee in regard to his handling of both Nelson's and Palmer's applications. Specifically, with regard to his handling of Nelson's application, the ALJ found Halvonik guilty of: (1) "disreputable or gross misconduct"[14]and "conduct that adversely reflects on the practitioner's fitness to practice before the Office"[15] for his failure to file Nelson's application with the requested changes and for filing the application with errors and omissions, and (2) "[f]ailing to act competently" by "neglect[ing] a legal matter entrusted to"[16] him for his "failure to follow-up on Nelson's application." Initial Decision, PTO 00973, PTO 01041 (p. 61). In regard to his handling of Palmer's application the ALJ found that he (1) "engaged in gross misconduct," engaged in "conduct that adversely reflects on the practitioner's fitness to practice before the Office," and failed to "[p]romptly pay or **[Page 12]** deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to receive"[17] for Halvonik's failure to return $500 of Palmer's advance payment for his services; and (2) "conduct that adversely reflects on the practitioner's fitness to practice before the Office" and failure to "[p]romptly pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to receive" for failing to return Palmer's disclosure materials. On appeal the Commissioner affirmed these charges adopting much of the reasoning of the ALJ.[18] Final Decision, PTO 02568, PTO 02569 (p. 2).

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[14] 37 C.F.R. § 10.23(a).
[15] 37 C.F.R. § 10.23(b)(6).
[16] 37 C.F.R. § 10.77(c).
[17] 37 C.F.R. § 10.112(c)(4).
[18] The ALJ also found Halvonik guilty of preparing an inadequate draft application for Palmer, however, the Commissioner did not adopt this

Halvonik challenges the PTO's Decision on several grounds. First he alleges that the PTO failed to follow their own rules in charging him and that he was deprived of due process in the ALJ's failure to allow him to examine the members of the Disciplinary Committee to prove that it did not follow PTO rules. Next, Halvonik alleges that the Complaint did not properly provide him notice of the correct legal standard and that the ALJ found him guilty of charges not specifically stated in the Complaint. Third, **[Page 13]** Halvonik argues that his conduct did not violate the disciplinary rules. Last, Halvonik asserts that the ALJ's Decision was unsupported by substantial evidence.

STANDARD OF REVIEW

In accordance with the Administrative Procedure Act ("APA"), 5 U.S.C. § 706, the Court reviews an administrative decision to determine if it is supported by substantial evidence, arbitrary or capricious, or otherwise not in accordance with law. 5 U.S.C. §706(2); see also Klein v. Peterson, 866 F.2d 412, 414 (Fed. Cir. 1989). This standard of review does not detract from the PTO's burden of proving its charges against Halvonik by "clear and convincing evidence." See 37 C.F.R. § 10.149 (providing that the "Director shall have the burden of proving his or her case by clear and convincing evidence" in disciplinary proceedings). Rather, the Court must consider "whether a reasonable mind could have found the evidence of misconduct clear and convincing." Klein, 866 F.2d at 414.

I. Procedural Errors in Initiating Disciplinary Proceedings

Pursuant to PTO regulations, the Commissioner of the PTO appoints a Director of Enrollment and Discipline ("Director"), 37 C.F.R. §10.2(b)(2), "who has the

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conclusion of law. Final Decision, PTO 02568, PTO 02583-84 (pp. 16-17).

responsibility of investigating allegations of misconduct by members of the bar." Goldstein v.

[Page 14] Moatz, 364 F.3d 205, 208 (4th Cir. 2004) (citing 37 C.F.R. § 10.2(b)(2), 10.131(a)).[19] If the Director finds that a practitioner has violated the PTO Disciplinary Rules, the "Director shall … call a meeting of the Committee on Discipline" which "shall then determine as specified in Sec. 10.4(b) whether a disciplinary proceedings shall be instituted." 37 C.F.R. § 10.132(a). Section 10.4(b), in turn, requires that the "Committee on Discipline shall meet at the request of the Director and after reviewing evidence presented by the Director shall, by a majority vote, determine whether there is probable cause to bring charges .. . against a practitioner." 37 C.F.R. § 10.4(b) (emphasis added).

Halvonik alleges that the Committee on Discipline ("Committee") did not "meet"[20] as required under Section 10.4(b), and further alleges that because he was denied the right to examine the members of the Committee to prove this contention, he was **[Page 15]** deprived of due process of law as guaranteed by the Constitution. According to Halvonik, the Committee functions as a "grand jury" insofar as it approves the initiation of quasi-criminal proceedings against

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[19] Congress has delegated plenary authority to the PTO to develop rules of professional conduct and disciplinary rules for practice before their office. 35 U.S.C. § 32 (2000); Gerritsen v. Shirai, 979 F.2d 1524, 1527 n.3 (Fed. Cir. 1992).

[20] In alleging that the Committee did not "meet," Halvonik asserts that the Committee never assembled in the same room, at the same time, to discuss and review the charges against him. The Court notes that the Committee does have a degree of discretion in how it "meets." Cf. Nixon v. United States, 506 U.S. 224, 238 (1993) (holding nonjusticiable whether the Senate's "trial" was sufficient); Auer v. Robbins, 519 U.S. 452, 462 (1997) (noting agency interpretation of its regulations are entitled to deference so long as those interpretations are not erroneous); but cf. Keys v. Barnhart, 347 F.3d 990, 993-94 (7th Cir. 2003) (Posner, J.) ("Probably there is little left of Auer.").

the accused. Therefore, Halvonik claims, because the agency did not follow such important procedures for initiating an action, the charges against him must be dismissed. The Court disagrees. Assuming arguendo that the Committee did not "meet" as required by the PTO's regulations, Halvonik has failed to allege any prejudicial error stemming from this procedural irregularity. See Keys v. Barnhart, 347 F.3d 990, 994 (7th Cir. 2003) (noting that administrative law recognizes the principle of harmless error), Save Our Heritage, Inc. v. FAA, 269 F.3d 49, 61-62 (1st Cir. 2001); cf. Breese v. United States, 226 U.S. 1, 10-11 (1912)(denying a defendant's motion to dismiss because even if the alleged error had occurred during the grand jury proceedings, there was reason to believe the error was non-prejudicial).[21] In fact, **[Page 16]** in his proceedings before the PTO, Halvonik admitted many of the facts that formed the basis of the complaint; the ALJ found that Halvonik had violated the PTO's disciplinary rules and there is no evidence that any of the members of the Disciplinary Committee objected to the charges, cf. 3B CHARLES ALAN WRIGHT ET AL. FEDERAL PRACTICE AND PROCEDURE § 854 at 475 (3rd. 2004) ("Errors in the grand-jury proceeding may be regarded as harmless if they did not affect the decision to indict or if has been cured by a petit jury's verdict.").

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[21] 14 Although Breese involved a criminal proceeding, the Court notes that the standard in this case is less exacting. See Kingsland v. Dorsey, 338 U.S. 318, 320 (1949) (Jackson, J. dissenting) ("I agree [with the majority] that the privilege of practicing before the Patent Office is one that may and should be withdrawn for professional misconduct. In defense of his privilege it also is true that the lawyer may not demand that conclusiveness of proof or invoke all of the protections assured to an accused by the criminal process."); In re Surrick, 338 F.3d 224, 233 (3rd Cir. 2003) (collecting cases); Romero-Barcelo v. Acevedo-Vila, 275 F. Supp. 2d 177, 195-96 (D.P.R. 2003) (collecting cases). Nonetheless, if the PTO's conduct accords to the standard for criminal proceedings, there is no question that it conforms to the due process rights applicable in this instance.

Moreover, any assumption that the Committee did not meet is belied by the record in this case. In the proceedings below, the Director submitted a declaration attesting to there having been a meeting. Decl. of Karen Kovard, PTO 005165. Additionally, the Director proffered a probable cause finding signed by the members of the Committee attesting to the fact that a meeting had occurred. Determination of Probable Cause, PTO 00526, 526-27. Based on this evidence, the ALJ properly found that the Committee met. Had there been doubt as to whether disciplinary action should have been initiated against Halvonik, the members of the Committee could have raised objections to the procedure or the charges (which they did not) in any of these filings.[22] See Fiskars, Inc. v. Hunt Mfg. Co., **[Page 17]** 221 F.3d 1318, 1322 (Fed. Cir. 2000) (noting the presumption that agencies act in accordance with law); Sanders v. United States Postal Serv., 801 F.2d 1328, 1331 (Fed. Cir. 1986) ("There is a strong presumption in the law that administrative actions are correct and taken in good faith."); cf. Breese v. United States, 226 U.S. 1, 10 (1912) (finding that when it was alleged that a jury foreman had abused his authority, there was ample opportunity for the other grand jurors to object if this were true).

Consequently, Halvonik's constitutional challenge must also fail. Because any error, even if proven, would have been harmless, Halvonik has failed to assert good cause for requiring the members of the Committee to testify as to

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[22] The Final Decision correctly noted that the Federal Rules of Evidence do not apply to administrative proceedings, see Hamdi v. Rumsfeld, 124 S. Ct. 2633, 2649 (2004); therefore, reliance on the "out of court" statements by the Director and members of the Committee was not improper. This does not necessarily detract from any right Halvonik may have to confront his accusers. 5 U.S.C. § 556(d); Mathews v. Eldridge, 424 U.S. 319, 335 (1976). Rather, the Court must balance the rights of the accused against the efficiency of the administration of justice. The Court notes that Halvonik was afforded the right to cross-examine all the witnesses relating to issues of his substantive guilt.

whether a "meeting" occurred. Generally, agency officials, like judges and jurors, are immune from being called upon to testify concerning their deliberations. Citizens to Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402, 420 (1971); Checkosky v. SEC, 23 F.3d 452, 489 (D.C. Cir. 1994) ("Checkosky I")(opinion of Judge Randolph); compare 37 C.F.R. § 10.4(c) (prohibiting members of the Committee from being subpoenaed to testify concerning Committee deliberations) with Fed. R. Crim. **[Page 18]** P. 6(b)(2),(3) (prohibiting disclosure of grand jury deliberations). This is especially true where, as in this case, a party seeks testimony not to prove his actual innocence, but to prove procedural irregularities -- irregularities, that if proven, would not disprove the substantive charges. Cf. Delaware v. Van Arsdall, 475 U.S. 673, 681 (1986) ("The harmless-error doctrine recognizes the principle that the central purpose of a criminal trial is to decide the factual question of the defendant's guilt or innocence, and promotes public respect for the criminal process by focusing on the underlying fairness of the trial rather than on the virtually inevitable presence of immaterial error.") (citations omitted); Carey v. Piphus, 435 U.S. 247, 259 (1978) ("Procedural due process rules are meant to protect persons not from the deprivation, but from the mistaken or unjustified deprivation of life, liberty, or property."). To hold otherwise would focus disciplinary actions on the conduct of the agency rather than the conduct of actual matters at issue. Consequently, this is not one of the "rarest of cases" where the Court should pierce the veil of secretive agency deliberations. Checkosky I, 23 F.3d at 489 ; but cf. Goldstein, 364 F.3d at 212 (piercing the veil of agency deliberation is appropriate when there is a claim of malicious prosecution).

Accordingly, the Court finds no merit in these objections.

II. The Complaint Provided Sufficient Notice to Satisfy Due Process **[Page 19]**

"It is elementary that any court or administrative agency which has the power to admit attorneys to practice has the authority to disbar or discipline attorneys for unprofessional conduct." Koden v. United States Dep't of Justice, 564 F.2d 228, 233 (7th Cir. 1977); see also Herman v. Dulles, 204 F.2d 715, 716 (D.C. Cir. 1953) ("An administrative agency that has general authority to prescribe its rules of procedure may set standards for determining who may practice before it."). Nevertheless, because the suspension of a practitioner is "of a quasi-criminal nature," In re Ruffalo, 390 U.S. 554, 551 (1968), in which the practitioner may incur "a punishment or penalty," id. at 550, a practitioner facing suspension is "entitled to procedural due process, which includes [the right of] fair notice of the charge," id.; see also United States v. Bliss, 12 App. D.C. 485 (D.C. Cir. 1898). Not only must the practitioner be noticed that charges have been filed against him, In re Ruffalo, 390 U.S. at 551, the agency must also provide reasonable notice of the offense itself, including the required mental state, necessary to constitute a violation of the rules, Marrie v. SEC, 374 F.3d 1196, 1206 (D.C. Cir. 2004); Checkosky v. SEC, 139 F.3d 221 (D.C. Cir. 1998).

Halvonik asserts that the Complaint never alleged that he committed "willful" misconduct (as required by the charges filed against him) and that the ALJ ultimately found him guilty of a **[Page 20]** charges that did not appear in the complaint against him. Because of these deficiencies, Halvonik asserts, he was deprived of fair notice. Consequently, according to Halvonik, the charges against him should be dismissed.

1. The Complaint Did Provide Notice of Willfulness

Pursuant to 5 U.S.C. § 558:

(c) ....Except in cases of willfulness or those in

> which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license[23] is lawful only if, before the institution of agency proceedings therefor, the licensee has been given –
>
> (1) notice by the agency in writing of the facts or conduct which may warrant the action; and
>
> (2) opportunity to demonstrate or achieve compliance with all lawful requirements.

(emphasis added). In this case, the PTO did not provide Halvonik an "opportunity to demonstrate or achieve compliance with all lawful requirements." See Initial Decision, PTO 00973, PTO 00989.[24] Therefore, to permissibly sanction, Halvonik, the PTO must demonstrate that Halvonik committed "willful" misconduct. The PTO's Complaint charged Halvonik with "knowingly" committing violations of the PTO's disciplinary rules which included offenses **[Page 21]** for "neglect," "incompetence," and "gross misconduct," but never used the term "willful." Complaint, PRO0001 at PTO00014, PTO00017. The question is whether the Complaint provided adequate notice which fairly

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[23] The permission to practice before the PTO can properly be considered a "license." See Wolff v. McDonnell, 418 U.S. 539, 558 (1974) (citing In re Ruffalo, 390 U.S. 544 (1968)).

[24] Although the ALJ conceded this point, the Court does note that on November 2, 1992, the Director sent Halvonik a letter warning that although no charges were going to be filed, he was duly warned pursuant to 5 U.S.C. § 558(c) that his conduct must "come into compliance with the rules and regulations of the PTO." charge that did not appear in the compliant against him. Because of these deficiencies, Halvonik asserts, he was deprived of fair notice. Consequently, according to Halvonik the charges against him should be dismissed.

apprised Halvonik that he was charged with "willful" misconduct. The Court holds that the Complaint did satisfy due process by sufficiently apprising Halvonik of the charges against him.

Contrary to Halvonik's contentions, the Complaint did allege willful conduct. Courts have generally defined willful conduct, under 5 U.S.C. § 558(c), in two ways: (A) "[i]f the violator (1) intentionally does an act which is prohibited, irrespective of evil motive or reliance on erroneous advice, or 2) acts with careless disregard of statutory requirements, the violation is willful;"[25] and (B) "an intentional misdeed or such gross neglect of a known duty as to be the equivalent thereof."[26] Cf. Bryan v. United **[Page 22]** States, 524 U.S. 184, 196-97 (1998) ("While some courts had stated that willfulness . . . [is] a disregard of a known legal obligation, willful was also interpreted variously to refer to 'purposeful, intentional conduct,' 'indifference to the requirements of the law,' or merely a 'conscious, intentional, deliberate, voluntary decision.'") (citations omitted); Butz v. Gloveer Livestock Comm'n Co., 411 U.S. 182, 187 n.5 (1973) ("'Willfully' could refer to either intentional conduct or conduct that was merely careless or negligent."). Despite the division among courts over the statutory definition of

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[25] Potato Sale Co. v. U.S. Dep't of Agric., 92 F.3d 800, 805 (9th Cir. 1996); Am. Fruit Purveyors, Inc. v. United States, 630 F.2d 370, 373 (5th Cir. 1991); Koden, 564 F.2d at 234, George Steinberg & Son, Inc. v. Butz, 491 F.2d 988, 994 (2d Cir. 1971); see also Cox v. U.S. Dep't of Agric., 925 F.2d 1102, 1105 (8th Cir. 1991) ("willful" includes "intent to do a prohibited act but also careless disregard of statutory requirements."). The court in Cox further held that in suspension proceedings, only one of the alleged acts need to be willful to satisfy 5 U.S.C. § 558(c). Cox, 925 F.2d at 1105.

[26] Hodgins v. United States Dep't of Agric., 2000 U.S. App. LEXIS 29892 (6th Cir. 2000); Capital Produce Co. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991); Capitol Packing v. United States, 350 F.2d 67, 78-79 (10th Cir. 1965). The Initial and Final Decision each cited, and justified their conclusions, on both standards of willfulness.

"willful," the Supreme Court noted in Bryan v. United States that, at the very least, there is support for "the notion that disregard of a known legal obligation is sufficient to establish a willful violation." Bryan v. United States, 524 U.S. 184, 197 (1998). Given that the Complaint charged Halvonik with (a) "knowingly" disregarding PTO Disciplinary Rules and (b) violating his legal obligation to his clients and the PTO, he was charged with misconduct which, at the least, met the minimum requirements of "willfulness." Therefore, the Complaint sufficiently alleged "willful" misconduct. Alternatively, the conduct described in the Complaint clearly established a pattern of conduct that meets both tests for "willful" misconduct. See infra at § III.

The fact that the Complaint did not specifically employ the word "willful" is inconsequential. Cf. Javits v. Stevens, 382 F. [Page 23] Supp. 131, 139 (S.D.N.Y. 1974) ("Listing the canons, however, would have added nothing to the petition, for the facts alleged gave decedent ample and specific notice of the charges against him."). Even a criminal indictment is sufficient if it "first, contains the elements of the offense charged and fairly informs a defendant of the charge against which he must defend, and, second, enables him to plead an acquittal or conviction in bar of future prosecutions of the same offense." Hamling v. United States, 418 U.S. 87, 117 (1974); see also United States v. McKie, 831 F.2d 819, 821 (8th Cir. 1987); 1 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE §125 at 569-71 (3rd. 2004) ("The elements need not be alleged in terms, and a pleading is good if it fairly imports knowledge, intent, or malice where these are elements of the crime."). Furthermore, insufficiency of a complaint for attorney misconduct must be prejudicial to bar suspension thereunder. Zauderer v. Office of Disciplinary Counsel of the Supreme Court of Ohio, 471 U.S. 626, 655 n.18 (1985); cf. Hagner v. United States, 285 U.S. 427, 431 (1932). The Complaint alleged instances of misconduct in detail, the provisions of the disciplinary rules Halvonik was

accused of violating, and that he knowingly disregarded these rules.[27] See Compl., PTO 00007 (p. 1). This sufficiently alerted **[Page 24]** Halvonik to the mental state required to sustain the charges against him. Moreover, any defense predicated o n ignorance of the law is inconsistent with the right Plaintiff is attempting to vindicate in this case – the right to advise other people on the law.[28]

2. The ALJ Did Not Impermissibly Append Charges.

Halvonik also argues that the ALJ found him guilty of a charge not appearing in the Complaint. In the Initial Decision, the ALJ found Halvonik guilty of "neglectfully fail[ing] to timely follow-up and review the PTO files as Nelson requested to determine if the file contained the draft rather than final copy of the application and/or make any necessary corrections." Initial Decision, PTO 00973, PTO 01041. Although admitting that this was "not specifically noticed as neglect in the Complaint," id., the ALJ justified this finding on the grounds that the Complaint did accuse Halvonik of committing "gross misconduct" and "neglect" in "all **[Page 25]** aspects of Nelson's patent application," id.; see also Compli. PTO 00007, PTO 00014 (p. 8) at ¶ 50(a). Halvonik claims that it was not proper for the ALJ to find

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[27] Because the Complaint adequately informed Halvonik that his conduct was done "knowingly," the Court need not consider whether the presumption that lawyers know the law, see Zauderer, 471 U.S. at 666 n.9 (Brennan, J., concurring in part and dissenting in part), Pyramid Controls Inc. v. Siemens Indus. Automation, Inc., 172 F.3d 516, 519-20 (7th Cir. 1999) ("All lawyers are presumed to know the law, and if they don't know a specific area of law well, they are obligated to consult with other lawyers who do."), Marinangeli v. Lehman, 32 F. Supp. 2d 1, 7 (D.D.C. 1998), would be sufficient in absence of a specific pleading thereof.

[28] Halvonik also raised an objection that because the Complaint did not allege willful misconduct, the Committee did not approve this charge. To the extent that this objection has not been addressed, this argument was not raised below and is therefore waived.

him guilty of charges "not specifically" noticed in the Complaint, and accordingly, asserts that this charge must be dismissed because the ALJ's conduct: (a) deprived him of due process of law and (b) violated the PTO's rules by allowing an attorney to be sanctioned for conduct that was not properly charged under 37 C.F.R. § 10.137. The gravamen of this part of Halvonik s challenge is whether a proposition that is not specifically rehearsed in the Complaint, but falls within the ambit of the general charges, constitutes a "new charge" that prejudiced the defendant.

The Court finds that the Compliant did sufficiently place Halvonik on notice of this charge and that this was not a new charge within the meaning of the PTO's regulations. The Complaint alleged that Halvonik filed the "incorrect and incomplete revised application constitut[ing] neglect of a legal matter entrusted to him and failure to act competently in violation of 37 C.F.R. § 10.77(c)." Complaint, PTO 00007, PTO 00015 (p. 9) at ¶ 50(c). Contrary to Halvonik s argument, a lawyer's duty to file an application on behalf of a client does not necessarily end the second an application is filed. Moreover, to the extent that there may have been an ambiguity in the coverage of this charge, the PTO early in its pre-trial briefs put Halvonik on notice, before the **[26]**

hearing, that it interpreted matters relating to Halvonik's failure to follow-up on the application to be within the scope of the Complaint. Director's Pre-Trial Brief, PTO 00647, PTO 0647-50. Given a) that this charge fell within the scope of the Complaint, b) that the PTO clarified, before the hearing, that the charge was included within the Complaint, and c) that Halvonik has failed to allege any prejudice, the Court finds this argument unavailing.

III. The PTO Properly Found Halvonik Guilty of Violating its Disciplinary Rules Halvonik also challenges the PTO's finding that he violated any of its disciplinary rules and

further asserts that the ALJ's decision is unsupported by substantial evidence.[29]

1. The PTO's Rules Proscribed Halvonik Conduct in Failing to Properly File Nelson's Application

The first charge against Halvonik stems from his failure to file Nelson's application in accordance with the intentions of his client and for filing the application with errors and omissions. In connection with this charge, the ALJ found that "[a]s a result **[Page 27]** of this lack of follow-through and failure to carefully scrutinize that which he was about to file, Respondent filed an application which did not conform to the inventor's intentions, which had been clearly expressed to him on several occasions . . . ." Initial Decision, PTO 00973 at PTO 01040 (p. 60). Moreover, Halvonik had "several bites at the apple . . . . [As Halvonik admitted], he did not even closely review what he was about to file . . . [for had] he reviewed it with any degree of prudent scrutiny, as he himself admitted, he would have seen the blanks for the dimensions which would have kept him from filing the draft." Id. Last, the ALJ found Halvonik had not acted intentionally in misfiling the application but "as a result of gross negligence." Id. Therefore, the ALJ found Halvonik guilty of willfully committing "disreputable or gross misconduct" and "conduct that adversely reflects on the practitioner's fitness to practice before the Office." Id. The Commissioner affirmed the reasoning of the ALJ. Final Decision, PTO 02568, PTO 02585 (p. 18). Halvonik does not deny the factual predicates for this finding. See, e.g., Pl.'s Reply Br. At 9 (Halvonik "in fact did not make those changes requested by the inventor and that is what he was charged

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[29] Halvonik for the first time objects in his concluding brief to the ALJ's additional findings regarding the neglect of a legal duty charge in failing to follow up on the application, claiming that the ALJ's decision was also unsupported by substantial evidence. It is entirely inappropriate to raise arguments for the first time in a concluding brief. Accordingly, the Court deems that this argument is waived.

with."). Rather, Halvonik asserts that this conduct does not constitute a violation of the disciplinary rules because: (a) there is no rule that an attorney must make every change requested by a client, Pl.'s Reply Br. at 9, and (b) the defects were not fatal because he could have amended **[Page 28]** the application later, i.e., the errors were harmless or caused de minimus harm, Pl.'s Reply Br. at 14. The Court is unconvinced. Regarding Halvonik s first contention, even assuming that Halvonik is correct that an attorney is not required to adopt every revision requested by the client, this would not excuse Halvonik s conduct in this case.[30] Not only did Halvonik promise Nelson he would make the agreed upon changes (inducing Nelson to sign the patent application on the basis of this promise), but his failure to make the changes, and follow PTO rules regarding the signing of final declarations,[31] resulted in the submission of a deficient patent application,[32] Initial Decision, PTO 00973, PTO 01040 (p. **[Page 29]** 60). The ALJ found that, but for Halvonik s negligence, the defects would not have occurred, Initial

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[30] One could argue that if Halvonik had chosen not to include changes for tactical reasons, e.g., because the changes were unnecessary or might impair the application, his conduct might not have been inappropriate. Cf. 37 C.F.R. § 10.84(b)(3) ("In representation of a client, a practitioner may: (1) Where permissible, exercise professional judgment to waive or fail to assert a right or position of the client."). But these are not the facts here. Rather, the revisions at issue here were actually necessary to secure the inventor's intent and effectuate a proper application.

[31] The ALJ characterized Halvonik' request as "a short cut that essentially circumvented the standard [used] by the patent application process." Initial Decision, PTO 00973, PTO 01038 (p. 58).

32 The defects included: (1) using the term "sealant," rather than "adhesive"; (2) the preferred dimension of the molding strip contained blank areas for the numerical dimensions to be inserted; and (3) the draft contained an incorrect sentence stating that the foam dam would be removed after the urethane had cured. Final Decision, PTO 02568, PTO 02570 (p. 3); Initial Decision, PTO 00973, PTO 01056 (p. 76) at ¶ 7.

Decision, PTO 00973, PTO 01040 (p. 60), and that at least one of these deficiencies raised the possibility of "potential litigation," Findings of Fact in Initial Decision, PTO 00973, PTO 01060 (p. 81) at ¶ 41. Even Halvonik admitted that "he screwed up." Id. at PTO 01060 (p. 80) at ¶ 35. Therefore, Halvonik s defense is clearly misplaced.

That any deficiencies could have been remedied later is at best a debatable point. See, id. at PTO 01060 (p. 80) ¶¶ 36-40.[33] Even Halvonik s own expert witness testified that Halvonik could not have amended all the errors in the application. See Pl.'s Resp. Br. at 8-9 ("The ALJ's mistaken conclusion was formed by the mistaken impression of both experts and Halvonik himself who were **[Page 30]** under the impression that changes to the patent application were prohibited after signing the declaration"); Def.'s Reply Br. at 10 (collecting citations to the record). Undaunted by his own expert's opinion, Halvonik asserts that he could have made revisions even after the application's submission to the PTO. See Pl.'s Resp. Br. at 8-9. To the extent that this argument

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[33] The Court further notes that the Supreme Court's opinion in Kingsland v. Dorsey, 338 U.S. 318, 319 (1949) indicates that PTO disciplinary rules are not meant exclusively to punish conduct that has caused harm, but to deter improper conduct so as to create a competent and diligent Bar to assist the public in a very technical area of the law. Consequently, even if the there was no harm, the conduct was still improper, giving the PTO sufficient justification to sanction such conduct. Cf. In re Disciplinary Proceedings against Kelsay, 455 N.W.2d 871, 872 (Wis. 1990) ("Discipline for lawyer misconduct is not intended as punishment for wrongdoing; it is for the protection of the public, the courts and the legal profession from further misconduct by the offending attorney, to deter other attorneys from engaging in similar misconduct and to foster the attorney's rehabilitation."). This is especially true where an attorney represents one time inventors with little patent experience such that other checks may not adequately deter misconduct and clients may not recognize when his or her attorney has acted improperly. Cf. STANDARDS FOR IMPOSING LAWYER SANCTIONS§ 9.22 (2003) ("Factors which may be considered in aggravation . . . (h) vulnerability of victim.").

could have merit, in light of the fact that, had Halvonik exercised due care and honored his representation to his client, this shroud of uncertainty would not have occurred, the ALJ properly found him guilty of acts of misconduct. An attorney who needlessly (and in this case negligently) increases risk to his client's interest, when the client himself has not invited this risk,[34] clearly commits misconduct. Cf. In re Moore, 177 F. Supp. 2d 197, 200 (S.D.N.Y.2001); STANDARDS FOR IMPOSING LAWYER SANCTIONS § 4.42 (2003) ("Lack of Diligence . . . 4.42 Suspension is generally appropriate when: (a) a lawyer knowingly fails to perform services for a client and causes injury or potential injury to a client, or (b) a lawyer engages in a pattern of neglect and causes injury or potential injury to a client.") (emphasis added). Moreover, although Halvonik admittedly prejudiced Nelson's application, it does not appear that Halvonik made any attempt to rectify these problems, see supra at II.2; therefore (and moreover), any remedial measures **[Page 31]** Halvonik may have taken later would still have delayed the successful completion of Nelson's application. Accordingly, Halvonik s defenses to these charges cannot be sustained.[35] Halvonik further contends that his conduct cannot be considered gross misconduct because he did not intend to be negligent and was unaware that he was committing errors. However, the ALJ found that

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[34] The ALJ found that Nelson had not put "a significant degree of pressure on Halvonik" to justify the misfiling of his application. Initial Decision, PTO 00973, PTO 01040 (p. 60)

[35] Halvonik also alleges that the ALJ did not find him guilty of willfully committing the acts which gave rise to the charge. The ALJ stated: "I do not find that Respondent willfully intended to file the draft as Nelson's final application but that he did so as a result of his gross negligence." Initial Decision, PTO 00973, PTO 01041 (p. 61). Although one could read this passage as suggesting that the ALJ did not find that Halvonik willfully committed gross misconduct, it is also a reasonable reading that he did. The fact that the ALJ sustained the charge, Conclusions of Law in Initial Decision, PTO 00973, PTO 01067-68 (pp. 87-88) at ¶ 8, is conclusive proof confirming this latter reading

the cause of Halvonik s neglect was that he was an inexperienced practitioner who took on more work than was reasonable under the circumstances. Initial Decision, PTO 00973, PTO 01040-41. That Halvonik structured his practice in a manner where such mistakes would naturally occur is sufficient to overcome any objection that Halvonik did not intend to make mistakes. See, e.g., In re Solerwitz, 848 F.2d 1573, 1580 (Fed. Cir. 1988); In re Gubbins, 890 F.2d 30, 31 (7th Cir. 1989); In re Harte, 701 F.2d 62, 62 (7th Cir. 1983) ("The problem of court delay is due in part to the reluctance of lawyers to relinquish business to other lawyers. Such reluctance while natural is unprofessional and deserves censure."); In re Bithoney, 486 F.2d 319, 323 (1st Cir. 1973) **[Page 32]** (physical infirmity did not excuse attorney's conduct because attorney did not take meaningful steps to secure the clients' interests). This concern is underscored in this case by Halvonik's failure to honor his client's repeated requests, and the fact that, had he exercised "any degree of prudent scrutiny," he would not have filed the wrong version of the application. Initial Decision, PTO 00973, PTO 01040 (p. 60); cf. In re Brandt, 27 U.S.P.Q.2d 1749, 1749 (Comm'r Pat & Trademarks Sept. 10, 1992). Moreover, the ALJ properly found that Halvonik's conduct demonstrated gross negligence and careless disregard for his duties to his client, and, therefore, that Halvonik'sactions were willful.

2. Halvonik Actions in Failing to Remunerate Palmer for the $500 is a violation of the PTO's Rule

The PTO found that Halvonik "engaged in gross misconduct," engaged in "conduct that adversely reflects on the practitioner's fitness to practice before the Office," and failed to "[p]romptly pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to

receive"[36] for his failure to return $500 of Palmer's advance payment for the services which he did not tender. Halvonik admits that Palmer requested a refund and that he tendered a check for $500 payable on condition **[Page 33]** that this satisfy any claim she had against him for the "unearned" fee she had already paid. However, Halvonik avers that Palmer is not "entitled" to this $500 within meaning of the PTO's Disciplinary Rules. Rather, he asserts that a fee dispute exists and, until resolved, she is not entitled to any refund.

In cases where there exists a fee dispute between a PTO practitioner and his client, neither party can be "entitled" to the money so long as a bona fide [37] fee dispute exists. Consequently, the gravamen of this issue centers on whether a bona fide dispute existed.

In this case, the analysis is easy because Halvonik admitted that he owed Palmer (at least) $500.00. See Halvonik Transcript, PTO 02121, 02202-03 (pp. 1294-95). Halvonik does not dispute the admission or the weight the ALJ places upon it.[38] Rather, Halvonik

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[36] 37 C.F.R. § 10.112(c)(4) (emphasis added).

[37] As with any fiduciary relationship, a practitioner has a duty of utmost good-faith and loyalty to his or her client. If the practitioner denied the return of clients' funds solely for purposes of harassment or recalcitrance, such conduct would certainly violate this principle. Cf. 37 C.F.R. § 10.84 ("(a) A practitioner shall not intentionally . . . (3) Prejudice or damage a client during the course of a professional relationship, except as required under this part.").

[38] At oral argument, the Court expressed concern that the ALJ had improperly used a settlement offer as an admission of guilt. Halvonik assured the Court that he waived any such argument in his trial before the ALJ because he wanted "all the information to come in." Oral Arg. Tr., 1:11:25-1:11:35, May 2, 2005. Consequently, because Halvonik waived this argument as part of his litigation position before the PTO, he may assert no claim here regarding the impropriety of the inculpatory use of an alleged settlement agreement.

[Page 34] contends that because the fee agreement required a flat-fee for services, the disputed $500.00 cannot be considered "client funds." Whatever merit this argument has, it does not help Halvonik. Halvonik is charged, in addition to impermissibly retaining client funds, with engaging in "gross misconduct," and "conduct that adversely reflects on the practitioner's fitness to practice before the Office." Erroneously retaining money that one knows is owed to a client is a breach of fiduciary duties and would be tantamount to forcing litigation on a matter to which a lawyer would have only a frivolous defense. This would clearly constitute "gross misconduct," and "conduct that adversely reflects on the practitioner's fitness to practice before the Office." The PTO's disciplinary rules are sufficiently broad to recognize the principle that attorneys should not be allowed to defeat the spirit of the law by their claimed technical adherence to its letter. Cf. Zauderer, 471 U.S. at 666 (Brennan, J. concurring in part and dissenting in part).

The ALJ also found Halvonik's conduct willful for canceling the check he tendered to Palmer. As Halvonik has admitted, he had no claim to the $500.00, and therefore had no right to attach any terms or conditions on acceptance. Moreover, Halvonik made no effort to resolve the fee dispute even though the onus is clearly on the lawyer to set in motion appropriate means for resolving such disputes. See e.g., Pa. R. P. C. 1.15 (Comments) ("The disputed **[Page 35]** portion of funds should be placed in trust and the lawyer should suggest means for prompt resolution of the dispute, such as arbitration. The undisputed portion of the funds shall be promptly distributed."). Instead, as the ALJ observed, Halvonik "clearly had a practice of retaining funds that even he knew should be returned to his clients, but that he only returned when faced with PTO pressure." Initial Decision, PTO 00973, PTO 01052 (p. 72). Consequently, Halvonik's conduct rises to the level of willful.

3. Halvonik Failure to Return Palmer's Disclosure Materials

The ALJ also found that Halvonik engaged in "conduct that adversely reflects on the practitioner's fitness to practice before the Office" and failed to "[p]romptly pay or deliver to the client as requested by a client . . . other properties in the possession of the practitioner which the client is entitled to receive" for his failure to return Palmer's disclosure materials. Halvonik admits to the facts relevant to this finding but nevertheless pleads for the Court to reverse the ALJ's Decision because, as a matter of law, the property was of de minimus value and therefore his conduct did not violate the Disciplinary Rules.[39] **[Page 36]**

The Court is unconvinced that the alleged minimal value of the property exonerates Halvonik's conduct. This factor may have some weight in determining the proper sanction but it does not negate the fact that Halvonik did in fact violate the letter, and the spirit, of the disciplinary rules. Cf. Republic of the Philippines v. Westinghouse Elec. Corp., 43 F.3d 65, 74 (3rd Cir. 1994) ("Obviously, a pattern of wrongdoing may require a stiffer sanction than an isolated incident; a grave wrongdoing may compel a more severe sanction than might a minor infraction; and wrongdoing that actually prejudices the wrongdoer's opponent or hinders the administration of justice may demand a stronger response than wrongdoing that, through good fortune or diligence of Court or counsel, fails to achieve its untoward object."). Moreover, whereas the disclosure materials may have

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[39] Halvonik also asserts that he sent Palmer what he thought she had requested. Pl.'s Br. at 40. Halvonik's argument misses the point. Palmer requested her disclosure materials back. The ALJ found that Halvonik did not refuse to return the materials out of malice, but because he was disorganized, i.e., had he exercised care in his practice of law he would have known what materials she had sent him and returned all of them to her. Initial Decision, PTO 00973, 01053 (p. 73).

minimal value to Halvonik, they are most likely valuable and important to the inventor.[40]

CONCLUSION

For the reasons set forth above, the Court affirms the PTO's Decision. Accordingly, the Respondent's Motion of Summary Judgment is granted and the Petitioner's Motion of Summary Judgment is denied. Judgment will be entered accordingly. **[Page 37]**

/s/

DONALD C. POGUE

UNITED STATES DISTRICT JUDGE[41]

August 8, 2005

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

06-1038

JOHN P. HALVONIK,

Plaintiff-appellant,

v.

JON W. DUDAS, DIRECTOR, PATENT

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[40] To the extent Halvonik has raised any other claims, the Court has considered those arguments and finds them unmeritorious or improperly raised.

[41] The Honorable Donald C. Pogue, Judge for the United States Court of International Trade, sitting by designation.

AND TRADEMARK OFFICE

Defendant-appellate

JUDGMENT

ON APPEAL from the United States District Court for the District of Columbia in CASE NO(s) 99-CV-863.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

Per Curium (BRYSON, Circuit Judge, ARCHER, Senior Circuit Judge, and LINN, Circuit Judge.)

AFFIRMED. See Fed Clr. R. 36

ENTERED BY ORDER OF THE COURT

DATED: AUG 8 2006 /S/

Jan Horbaly, Clerk

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT 06-1038

JOHN P. HALVONIK,

Plaintiff-appellant,

v.

JON W. DUDAS, DIRECTOR, PATENT AND TRADEMARK OFFICE

Defendant-appellee

ORDER

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NOTE: Pursuant to Fed Cir. R. 47.6 this order is not citable as precedent. It is a public order.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in active service.

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on November 3, 2006.

FOR THE COURT

/S/

Jan Horbaly

Clerk

Dated: 10/27/2006

cc: John Halvonik

John M. Whealan

Halvonik v PTO, 2006-1038

(DCT-99-CV-863)

Appendix B. Initial Decision by ALJ and Final Decision by the Commissioner of the Patent and Trademark Office:

UNITED STATES PATENT AND TRADE OFFICE

BEFORE THE ADMINISTRATIVE LAW JUDGE

OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD Director, Office of
Enrollment and Discipline

Proceeding D96-03

JOHN P. HALVONIK
Respondent

INITIAL DECISION

(Issued February 26, 1998)

APPEARANCES

Kevin Baer and John Whealan, Office of the Solicitor, U.S. Patent and Trademark office on behalf of Complainant, Karen L. Bovard, Director, Office of Enrollment and Discipline, U.S. Patent and Trademark Office, U.S. Department of Commerce

Henry St John Fitzgerald Samuel Shipkovitz, David Sheldon and
Maria Cristina Fernandez on behalf of Respondent, John P. Halvonik

Delbert R. Terrill, Jr., Administrative Law Judge

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STATEMENT OF THE CASE

On April 2, 1997, Karen L. Bovard ("Complainant"), Director, Office of Enrollment and Discipline, U.S. Patent and Trademark Office ("PTO"), U.S. Department of Commerce, filed a Complaint and Notice of Proceedings Under 35 U.S.C. § 32 charging John P. Halvonik ("Respondent"), an attorney registered to practice before the PTO, whose registration number is 32,796, with conducting himself in a manner unworthy of a registered patent attorney. The complaint contains three specific counts alleging that Respondent engaged in various forms of professional misconduct and/or misrepresentation in violation of certain sections of the Code of Federal Regulations ("C.F.R.") while handling three separate patent applications. Complainant requests that Respondent be either excluded or suspended from practice before the PTO or such other relief as the undersigned deems appropriate.

On June 2, 1997, Respondent filed his answer denying in part and admitting in part certain of the specific factual allegations contained in the complaint and denying in total the legal conclusions alleged by Complainant. Respondent claims as his affirmative defenses the denial of due process and fundamental fairness of bringing counts on three unrelated matters about which he had been earlier advised would not be prosecuted, the doctrine of laches, and the statute of limitations.

By order dated May 14, 1997, the Chief Administrative Law Judge of the Federal Energy Regulatory Commission, acting in that capacity delegated by the Department of Commerce, assigned the [3] case to the undersigned for hearing. On June 17, 1997, a pretrial conference was held and on June 18, 1997, a procedural schedule was issued setting the matter for hearing on September 3, 1997.

On August 13, 1997, the parties filed a joint stipulation of material facts. After resolution of certain pretrial issues

which necessitated changes in hearing dates, the above matter was heard on October 16, November 3, 4, 12, 13, and 17-19, 1997. The record consists of 1908 pages of transcript and 68 exhibits. On December 15, 1997, Respondent and Petitioner filed their initial post trial briefs and proposed findings of fact and conclusions of law. On January 5, 1998, they both filed reply briefs.

APPLICABLE LAW AND REGULATIONS

The Code of Federal Regulations ("C.F.R.") 37 C.F.R. § 10.134-170, govern the investigation of and disciplinary actions taken against practitioners before the PTO. In addition to governing investigations of possible violations of PTO Disciplinary Rules and the issuance and service of complaint and answer, these provisions also provide for discovery, the referral of any contested case to an administrative law judge ("AU") [appointed under 5 U.S.C. § 3105] for a hearing pursuant to the Administrative Procedures Act ("APA"), 5 U.S.C. § 556, the issuance of an initial decision pursuant to 37 C.F.R. § 10.154 which may be appealed to the Commissioner of Patents and Trademarks. In particular, 37 C.F.R. § 10.149 establishes that Complainant and Respondent in these proceedings have the burden of proving their respective case/defenses by clear and convincing evidence.

Before a disciplinary proceeding may be brought against any PTO practitioner, 37 C.F.R. § 10.132(a) - (c) requires that after investigating a practitioner and being of the opinion that a Disciplinary Rule has been violated, complainant must (1) where necessary, comply with 5 U.S.C. 558(c), and (2) call a meeting of the PTO's Committee on Discipline ("Committee") before issuing any complaint. When called, the Committee must determine whether "probable cause exists to believe that a practitioner has violated a Disciplinary Rule." 37 C.F.R. § 1O.132(a) - (b). Only after a determination of probable cause has been made by the PTO

Committee may complainant seek a disciplinary proceeding against a practitioner. 37 C.F.R. § 10.132(b).

PTO Disciplinary Rules govern the conduct of PTO practitioners. PTO does not have a rule that states that its practitioners act competently. However, its rules do preclude a [4] practitioner from acting incompetently by neglecting a legal matter entrusted to the practitioner. 37 C.F.R. § 10.77(c). Neglect is "to omit, fail, or forbear to do a thing that can be done, or that is required to be done." Black's 6th edition, 1032. Neglect is similar to but not exactly the same as negligence. Neglect contemplates a review of whether or not a practitioner did or did not do an act and the timeliness or responsiveness of a practitioner to a legal matter entrusted to him. Taking a client's funds, promising to do work and doing nothing is neglect. Carter v. Mississippi Bar, 654 So.2d 505, 511-12 (Miss. 1995) Neglect considers the diligence and attentiveness of a practitioner to legal matters. Failure to commence a legal action is neglect. In re Lyles, 469 S.E.2d 670 (Ga. 1996). Failure to meet deadlines, take necessary actions, and ascertain facts or requirements, as well as undue delay when acting on behalf of the client are all examples of neglect. A PTO practitioner's neglect need not result in injury to a client before a sanction may be imposed. Compare In re Lewis 689 A.2d 561, 563 (D.C. 1997); In re Roche 678 N.E.2d 797, 798 (Ind.1997), but the degree of injury may serve as a basis for determining the extent of sanction to be imposed. The Florida Bar v. G.B.T. 399 So.2d 357, 358 (Fla. 1981); In re Sliz 273 S.E.2d 177 (Ga. 1980). Poor office management is no excuse for neglect. Lawyer Disciplinary Board v. Beveridge 459 S.E.2d 542 (W. Va. 1995); In re Smith 659 N.E.2d 896, 909 (Ill. 1995) (a high volume, low-price practice must still be run efficiently and conscientiously); Iowa Professional Ethics & Conduct Board v. Winkel 542 N.W.2d 252, 254-55 (Iowa 1996) Nor is a heavy workload an excuse. Committee on Professional Ethics v. Pracht 505 N.W.2d 196, 198 (Iowa 1993) (when faced

with being overloaded, practitioners are required to either decline the work, get assistance, or withdraw).

Further, a practitioner may not engage in disreputable or gross misconduct. 37 C.F.R. § 10.23(a). Section 10.23(a) is a free standing subsection, separate and distinct from subsection 10.23W). Were the type of conduct listed in 10.23(b) intended to be the only type of disreputable or misconduct contemplated by 10.23(a), there would be no purpose in having a separate 10.23(a). I interpret gross misconduct in 37 C.F.R. § 10.23(a) as including gross negligence. Negligence, distinctive from neglect, contemplates not just whether an act is done or not, but substantively reviews the quality of performance in completing the act. Ordinary negligence contemplates whether or not an act or omission is something that a reasonably prudent person would do in the same set of circumstances and may arise out of mere inadvertence. Gross negligence by a PTO practitioner involves the intentional failure to perform a manifest duty in reckless disregard for the consequences affecting the client's property [5] interests. Gross negligence includes utter forgetfulness of a legal obligation to a client. Such gross negligence based on utter forgetfulness or careless disregard for an known obligation or duty is equivalent to a willful violation of that obligation or duty. [42]

Agencies are required to prove willfulness in certain circumstances. With respect to a federal governmental agency's actions impacting a license required by law, Title 5 U.S.C. § 558(c) requires that:

> [w]hen application is made for a license required by law, the agency, with due regard for the rights

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[42] [I]f a person 1) intentionally does an act which is prohibited,-- irrespective of evil motive or reliance on erroneous advice, or 2) acts with careless disregard of statutory requirements, the violation is wilful." Koden v. United States Dep't of Justice, 564 F.2d 228, 234 (7th Cir. 1977)

> and privileges of all the interested parties or adversely affected persons and within a reasonable time, shall set and complete proceedings required to be conducted in accordance with sections 556 and 557 of this title or other proceedings required by law and shall make its decision. Except in cases of willfulness or those in which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefore, the licensee has been given
>
> > (1) notice by the agency in writing of the facts or conduct which may warrant the action; and
> >
> > (2) opportunity to demonstrate or achieve compliance with all lawful requirements.

Therefore, when an agency has not given a licensee (1) written notice of the facts or conduct which may warrant the suspension of its license, and (2) an opportunity to achieve compliance before suspension of the license, the complaining agency must demonstrate that the public health, interest, or safety requires otherwise or must prove that the actions upon which the proposed suspension is based were willful. Capital Produce Co. Inc. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991) ("Capital Produce"). "Willfulness' for purposes of Section 558(c) means 'an intentional misdeed or [6] such gross neglect of a known duty as to be equivalent thereof.'" Capital Produce 930 F.2d at 1079 (citing Hutto Stockyard Inc. v. USDA 903 F.2d 299, 304 (4th Cir. 1990)).

Additionally, a PTO practitioner may not engage in any conduct that adversely reflects on the practitioner's fitness to practice before the PTO, 37 C.F.R. § 10.23(b) (6), may not engage in conduct involving dishonesty, fraud, deceit, or

misrepresentation, 37 C.F.R. § 10.23(b) (4), shall not attempt to exonerate himself or herself from, or limit his or her liability to, a client for his or her personal malpractice, 37 C.F.R. § 10.78, and must promptly pay or deliver to the client as requested by the client the funds, securities, or other property in the possession of the practitioner which the client is entitled to receive. 37 C.F.R. § 10.ll2(c) (4). Settlement of a fee or malpractice dispute may never be conditioned on the client's consent not to file a grievance or report regarding the misconduct to an appropriate disciplinary authority. Maryland Attorney Grievance Commission v. Upward 475 A.2d 466 (Md. 1984).

Patent attorneys are not limited to practice in only the state in which their office is located or those states in which they are members of that state bar, but are entitled to practice in any state or territory of the United States. See Sperry v. Fla., 373 U.S. 379 (1962). While states maintain control of the practice of law within their territories, non-attorney Sperry practitioners are bound only by the rules of the PTO. Attorney Sperry practitioners are bound by PTO's Rules of Practice and by their respective state bars' ethical considerations. The state bar may not necessarily be the state in which their offices are physically located. Sperry, 373 U.S. at 385-402; see 30 C.F.R. § 10.1.

Any registered practitioner who violates any of the above Disciplinary Rules may be suspended or excluded from practicing before the PTO. 37 C.F.R. § 10.130. PTO Disciplinary Rules are mandatory and indicate the level of conduct below which no practitioner can fall without being subject to disciplinary action. 37 C.F.R. § 10.20(b).

The Patent Act ("Act") also governs the actions of PTO applicants and/or practitioners. For example, the Act prohibits a patent applicant from introducing new matter into the disclosure of the invention, 35 U.S.C. 5 132, see also 37 C.F.R. 1.118, and also requires the inventor to set forth the

best mode contemplated by the inventor of carrying out the invention. 35 U.S.C. § 112, ¶1.

[7] Federal governmental agencies must timely seek enforcement of their responsibilities given that 28 U.S.C. § 2462 provides that:

> Except as otherwise provided by Act of congress, an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years from the date when the claim first accrued if within the same period, the offender or the property is found within the United States in order that proper service may be made thereon.

The above five year statute of limitations has been found to be applicable to Securities and Exchange Commission ("SEC") enforcement actions to suspend a licensed securities industry supervisor. Accordingly, the SEC was precluded from seeking a license suspension based on claims arising outside the five year statute of limitation. Johnson v. SEC 87 F.3d 484, 488-89 (D.C. Cir. 1996).

Finally, Complainant, as the proponent of the complaint, has the ultimate burden of persuasion and must prove her case by clear and convincing evidence. 37 C.F.R. § 10.149. In an action pursuant to the APA, a complaining agency also has the initial production burden of providing sufficient evidence establishing a prima facie case. B. Mezines, J. Stein & J. Gruff, Administrative Law, § 24.01. Unless a prima facie case is established by Complainant, the burden of going forward does not shift to practitioners and they need not produce any evidence in their defense. However, when Complainant does establish a prima facie case, a practitioner must introduce evidence rebutting the prima facie case. j If practitioners fail to rebut, their defense fails. Id. If both parties meet their respective burdens of

production, Complainant must have produced sufficient credible evidence to prevail. Id. In this case, Complainant will only prevail if her evidence is clear and convincing in support of the charges leveled in her complaint. Her ultimate burden of persuasion never shifts.

JURISDICTION

As an attorney registered to practice before the PTO, Respondent is subject to suspension or exclusion from practice before the PTO, after due notice and required hearing, for being "incompetent or disreputable" and/or for being "guilty of gross misconduct" and/or for not complying "with its [PTO's] regulations".

[8] 35 U.S.C. § 32.[43] This tribunal has jurisdiction over such hearings. 37 C.F.R. §§ 10.132 and 10.139.

Respondent has not contested personal jurisdiction but has contested this tribunal's subject matter jurisdiction for want of proof that Complainant followed her own agency regulations when issuing her complaint. See Procedural Rulings regarding probable cause determination, infra.

PROCEDURAL RULINGS

General Pre and Post-Trial Pleadings

On July 21 and 22, 1997, Complainant and Respondent, respectively and separately, filed unopposed

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[43] Title 35 U.S.C. § 31 grants to the PTO the authority to regulate the admissions of practitioners licensed to practice before it. Therefore, the PTO also has inherent power to regulate those who practice before it. See Koden v. United States Dept of Justice, 564 F.2d 228, 233 (7th Cir. 1977) ("It is elementary that any court or administrative agency which has the power to admit attorneys to practice has the authority to disbar or discipline attorneys for unprofessional conduct"); Herman v. Dulles 205 F.2d 715, 716 (D.C. Cir. 1953) ("An administrative agency that has general authority to prescribe its rules of procedure may set standards for determining who may practice before it.")

motions for limited discovery with responses due on or before August 1, 1997. The motions were granted.

On August 7, 1997, Complainant and Respondent jointly moved to extend the time for filing their pre-trial statements from August 7 to August 13, 1997. The motion was granted.

On August 13, 1997, Complainant moved to compel discovery. The motion was granted. Also on August 13, 1997, Complainant and Respondent filed their pre-trial statements and on August 14, 1997 Respondent filed a clarification of his statement.

On August 19 and 20, 1997, respectively, Respondent's replacement counsel moved to enter their appearance and existing counsel withdrew their appearance. Replacement counsel also moved for a continuance to file its pre-trial statement and moved that the time deadline for the initial decision be extended to December 1, 1997.

On August 22, 1997, Complainant and Respondent jointly moved to suspend the procedural schedule in this proceeding representing that they had reached settlement of the matter. That same day, [9] the motion was granted. The parties were directed to file a pleading indicating the approval or disapproval of the settlement by the Commissioner of Patents and Trademarks.

By teleconference on September 3, 1997, the parties advised the undersigned that the settlement had not been consummated and requested reinstatement of the procedural schedule. Replacement counsel informed the undersigned that a third counsel was being added to the defense team and would be taking the litigation lead. The undersigned directed final resolution of outstanding discovery and ordered the matter to trial on September 15, 1997, with the parties to file, by no later than September 8, 1997, any pending pre-trial statements.

On September 8, 1997, the third counsel entered and was permitted to enter his appearance. On September 9, 1997, the undersigned sua sponte ordered that the hearing to begin on September 19, 1997.

On November 3, 1997, during the course of the hearing pursuant to Complainant's motion to strike, the undersigned struck two Respondent Exhibits (70 and 73) that had not been [although they should have been] produced in discovery and offered Complainant the opportunity of designating transcript pages for deletion. (Tr.233-34). On November 12, 1997, complainant filed the designation of testimony it requested be struck and on November 19, 1997, the undersigned granted the request. (Tr.190405). On January 6, 1998, Complainant moved to strike certain portions of Respondent's Reply Brief given that it referred to testimony which Complainant asserts was struck by the undersigned during the course of the hearing. On January 14, 1998, Respondent noted his response. All of the parts of Respondent's Reply Brief noted in Complainant's Motion to Strike are struck except as follows: Page 12, paragraph q citation "(Tr.196-203)" will be limited to those portions of transcript not struck; pages 12, paragraph r all references except "page 203" are not struck; page 12, paragraph s, the first sentence is not struck; page 13, paragraph x all excepting "172-173" is not struck.

Pursuant to request made by the undersigned during the course of the hearing, on January 22, 1998, complainant provided a copy of the initial mailing from Respondent dated January 8, 1993, to his client, Diane Palmer. Upon review, the undersigned concludes that nothing contained therein is relevant to the basis of my question during the hearing and therefore will not be designated as an exhibit in this proceeding.

Motion to Require Proof of Probable Cause Determination

On September 19, 1997, Respondent moved that the undersigned require that Complainant produce evidence that

she had complied with 37 C.F.R. § 10.132 (a) (b) . Specifically, Respondent sought [10] dismissal of the complaint unless the Complainant could demonstrate that she complied by obtaining the condition precedent to issuing her complaint; i.e., a probable cause determination by the PTO's Committee on Discipline.

On September 23, 1997, Complainant filed her response to the above motion, citing 37 C.F.R. 10.136(b). Complainant argued that Respondent had failed to either admit or deny the jurisdictional basis of the complaint and therefore had admitted jurisdiction by operation of law. Although complainant maintained that the Respondent's motion required no substantive response, she filed as an attachment to her pleading her own affidavit.

Complainant is correct that by neither admitting or denying the complaint's assertion of personal jurisdiction, Respondent did in fact waive any denial of such. 37 C.F.R. § 10.136(b); see also Fed. R. Civ. P. 12(h)(1); Elder v. Holloway 975 F.2d 1388, 1395 n.4 (9th Cir. 1991) (citing Chilicky v. Schweiker, 796 F.2d 1131, 1136 (9th Cir. 1986), rev'd on other grounds 487 U.S. 412 (1988) (if a party files pre-answer motion but fails to raise defense of lack of personal jurisdiction in that motion, defense is waived)). On the other hand, Respondent may at any time question this tribunal's subject matter jurisdiction and did not waive such when he answered the complaint. The affirmative defense of lack of subject matter jurisdiction can never be waived and may be raised at any time. Newport News Shipbuilding and Dry Dock Co. v. Garrett, 6 F.3d 1547, 52-53 (Fed. Cir. 1993) ("Garrett" (certification by government contractor is required to be completed prior to contractor appealing contracting officer's denial of the contractor's claim; such certification confers appellate subject matter jurisdiction of the appeal before the Armed Forces Board of Contract Appeals); Starobin v. United States 662 F.2d 747 (Ct Cl. 1981). Respondent did not dispute that, as a member of the bar

licensed to practice before the office, Complainant did not have jurisdiction to bring an action against him per se as a member of that bar or that the Office improperly failed to serve him. Rather, he questioned whether the office followed its own rules and obtained from its Committee a probable cause determination prior to the Director filing the complaint against him. This defense by Respondent is little different from the certification required in Garrett Therefore, the undersigned concluded that Respondent raised the issue of the office's subject matter jurisdiction, which may not be waived.

Accordingly, the undersigned directed complainant to resubmit by October 9, 1997, her affidavit containing the date(s) that she submitted Respondent's case to the Committee, the date the Committee met regarding Respondent and the date they concluded that probable cause existed. Further, Complainant was directed to submit a copy of the written determination containing the signatures of the Committee and any other analysis supporting the determination of probable cause. In an oral teleconference on [11] October 7, 1997, the undersigned further directed that Complainant could redact any portion of the probable cause determination being submitted that she felt was attorney work product. On October 9, 1997, Complainant resubmitted her affidavit and the motion to dismiss was denied.

Motion to Recuse

Also on September 8, 1997, Respondent moved to have the undersigned issue an order recusing or disqualifying himself "because of the communication of the terms of a purported settlement" to him although the communication of the terms of the settlement was "through no action or fault" of the undersigned. Given that: the undersigned would be acting as trier of fact; Complainant's quantum burden of proof was "clear and convincing evidence;" Respondent's quantum burden of proof regarding his affirmative defenses was likewise "clear and convincing evidence;" and most

serious issues against Respondent require the undersigned's determination of Respondent's intent or state of mind, Respondent argued that he would be "vulnerable and at risk to the 'shadow effect' of the Judge's having received indication, however tenuous, that the Respondent had agreed to some or all of the charges." (Emphasis in original). In support of his contention, Respondent cited black letter constitutional case law as to the due process requirement of an "impartial" tribunal. In re Murchison 349 U.S. 133 (1956). Attached to his motion, Respondent filed his own affidavit alleging miscommunication between himself and his attorneys resulting in a settlement the terms of which he denies ever having agreed to and his belief that he would not receive a fair hearing because the undersigned was provided the terms of the purported settlement. Finally, Respondent requested, even if recusal was not required, that the undersigned exercise discretion and disqualify himself for sake of appearances.

On September 12, 1997, Complainant filed her opposition to the motion to recuse or disqualify, citing case law establishing that the mere filing of a joint motion for recusal without further evidence does not provide a sufficient basis to recuse a judge, even one who was directly involved in settlement negotiations. In re Asbestos Litigation 90 F.3d 963, 989-90 (5th Cir. 1996) (judge's minor participation in settlement negotiations does not disqualify that judge from conducting full fairness hearing on settlement). Complainant also cited (and attached) Blount Int'l Ltd v. Schuykill Energy Resources Inc. 1990 U.S. Dist. Lexis 17366 wherein a judge who had participated in settlement negotiations and disputed one party's contention that no settlement had ever been reached was not required to be recused. Finally, Complainant argued that judges should not recuse themselves "unnecessarily" but only based upon "personal and extrajudicial bias," Holloway v. United States 960 F.2d 1348, 1350 (8th Cir. 1992), and never based upon "unsupported, [12] irrational, or highly tenuous speculation." In re

American Ready Mix Inc., 14 F.3d 1497, 1501 (10th Cir. 1994)

On October 2, 1997, Respondent filed his response to Complainant's opposition. Respondent cited Amos Treat v. SEC 306 F.2d 260, 267 (D.C. Cir. 1962) as supporting his contention that the undersigned be recused when the tribunal's "impartiality might reasonably be questioned" so as to insure "the very appearance of complete fairness."

In the joint teleconference on October 7, 1997, the undersigned directed that by October 10, 1997, the parties provide him additional citations with specific factual circumstances that might be similar to the facts in this proceeding. Both parties availed themselves of the additional opportunity and cited additional authority in support of their opposing positions. However, the undersigned concluded that none of the cases cited by either party were factually similar, as none of the cases cited involved a settlement gone awry where the terms of the settlement had been disclosed to a U.S. administrative law judge ("ALJ") before the settlement had been signed by the parties.

Title 28 U.S.C. § 455(a) provides that "[any justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned." Contrary to Respondent's contention, U.S. ALJs serve as triers of fact in much the same capacity as do U.S. district court judges in non-jury trials. U.S. ALJ5 are not Article III judges and are therefore not covered by 28 U.S.C. § 455(a). Greenberg et al v. The Board of Governors of the Federal Reserve System 968 F.2d 164, 167 (2nd Cir. 1992). Therefore, the case law cited by Respondent interpreting 28 U.S.C. § 455 is not relevant to this case because the undersigned is an Article I U.S. AU appointed pursuant to S U.S.C. § 3105.

The appointment of the undersigned to hear this particular matter was made pursuant to 37 C.F.R. § 10.139

which provides that PTO disbarment proceedings be heard by U.S. ALJs appointed pursuant to 5 U.S.C. § 3105. Therefore, instead of being governed by 28 U.S.C. § 455(a), the concern raised by Respondent is instead governed by the APA, S U.S.C. § 554(d). Greenberg 968 F.2d at 167. The APA requires that "an employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision .... " 5 U.S.C. § 554 (d) The Amos Treat decision, cited by Respondent, argues that where there are no separation of functions between the prosecutorial and the adjudicatory functions in a government agency, the adjudications arising from such do not have the requisite appearance of due process/fairness particularly when there has been evidence of ex parte communications between the two functions regarding the matter being litigated. In this instance, there are [13] clear separations of functions and there are no ex parte communication issues. Accordingly, and for the reasons discussed below, the Respondent's motion to recuse or disqualify was denied.

Even were the undersigned subject to 28 U.S.C. § 455(a), Respondent has failed to demonstrate that the undersigned's "impartiality might reasonably be questioned". Respondent rests his contention that the undersigned's impartiality may be reasonably questioned here because the parties jointly filed with the undersigned the above terms of their purported settlement. The so-called "catch-all" "impartiality" provision (§ 455(a)) added to Title 28 in 1974 must be evaluated on an objective basis, see Lilieberg v. Health Services Acotlisition Corp. 486 U.S. 847, 84748 (1988) ; and the application of such an objective test "assumes that a reasonable person knows and understands all the relevant facts. SEC v. Drexel Burnham Lambert Inc. 861 F.2d 1307, 1313 (2d Cir. 1988) (emphasis in original). In addition to considering whether actual prejudice exists, judges must also consider whether the appearance of impartiality exists. See United States v. Johnpoll 748 F.

Supp. 86,90 (S.D.N.Y. 1990); Larnborn v. Dittmer, 726 F. Supp. 510, 516 (S.D.N.Y. 1989). All doubts must be resolved in favor of disqualification. United States v. Alabama 828 F.2d 1532, 1540 (11th Cir. 1987), cert. denied sub nom., Board of Trustees v. Auburn Univ. 487 U.S. 1210 (1988). However, the reasonable person test for determining a lack of impartiality may not be based on spurious or loosely based charges. Mavis v. Commercial Carriers Inc. 408 F. Supp. 55, 61 (C.D. Cal. 1975).

In addition, facts "learned by a judge in his judicial capacity cannot be the basis for disqualification." United States v Hillsberg 812 F.2d 328, 335 (1987) (criminal defendant's mother wrote to judge before murder trial asking judge to permit her son to plead guilty to manslaughter) (citing United States v. Patrick 542 F.2d 381, 390 (7th Cir. 1976), cert. denied 430 U.S. 931 (1977)). The extrajudicial source doctrine is no longer a per se rule, but remains only one of a number of factors to be weighed with respect to interpreting 28 U.S.C. § 455(a). Litekv v. United States 510 U.S. 540, 52-54 (1994)

There can be no doubt that the source of the information upon which Respondent rests his motion was an intrajudicial source. Such weighs against Respondent's motion.[44] As Complainant has [14] noted in her pleadings, when the source of information is not extrajudicial, recusal is necessary upon a showing of open hostility or bias toward a litigant, Wheeler v. Southland Corp. 875 F.2d 1246, 1252 (6th Cir. 1989) (citing Anderson v. Sheppard 856 F.2d 7441

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[44] Were Respondent's position to prevail, parties would achieve the ability to shop for judges of choice by preemptively striking judges they do not desire from their cases by submitting the text of a settlement agreement with a motion to suspend only to later withdraw that same settlement and then claim lack of impartiality. (continued. . .)

(6th Cir. 1988). Such hostility or bias is neither claimed by the Respondent nor sustained by the evidence. Also, Respondent's citations to certain state court decisions involve factual circumstances that are non-existent; i.e., that the undersigned has participated in the settlement negotiations that went awry. In this case, the undersigned was sent a pleading which indicated the provisions of a purported settlement. The filing of a purported settlement does not itself provide a reasonable basis to conclude that the impartiality of the tribunal has been lost. As a professional jurist who is required as a part of his everyday trial practice to ignore evidence offered but refused admission, the undersigned can and will ignore information contained in pleadings which is likewise not evidence. Accordingly, the motion to recuse was denied.

Motion to Continue Hearing to a Later Date Based on Psychiatric Care

On September 15, 1997, Respondent moved to reschedule, to an unspecified date in November 1997, the hearing set to begin on September 19, 1997. In support of his motion, Respondent filed a hand-written note dated September 15, 1997 to Respondent's new lead counsel from a psychiatrist which stated that Respondent had been under his care, was on prescription medicine, was being monitored on a regular basis, that Respondent was "impaired in his ability to focus on and deal appropriately with legal proceedings against him, especially regarding a trial," but that Respondent was expected to be able to "participate in such proceedings" by early November. On September 16, 1997, Complainant filed its opposition noting that the psychiatrist's note contained no diagnosis, description of medication or Respondent's day-to-day functioning. Given the psychiatrist's note, Complainant also questioned Respondent's continuing involvement in his legal practice and other activities. Complainant questioned the credibility of Respondent's motion noting that the motion appeared to

be part of a continuing pattern of delay. Complainant argued that if Respondent was unfit for trial he was likewise unfit for the practice of law and argued that it suffered prejudice by the continual delays particularly in having to reschedule its out-of-town witnesses. During a joint teleconference, Respondent was directed to produce the psychiatrist at a motion hearing and to produce his own psychiatric records with the understanding that Complainant would sign a confidentiality agreement and would further agree that the records would be used by Complainant only [15] in the above-docketed proceeding. After hearing the psychiatrist's testimony on September 20, 1997, the undersigned concluded that Respondent was competent to stand trial in that Respondent was mentally fit to understand the proceedings against him and was able to assist his counsel in his own defense. Accordingly, the trial was ordered to begin October 6, 1997.

Motion to Dismiss for Failure to Follow Established Procedure Regarding Probable Cause Finding

On September 19, 1997, Respondent moved that the Director, Office of Enrollment and Discipline, U.S. Patent and Trademark Office be required to produce evidence that she had complied with 37 C.F.R. § 10.132(a) and (b) by having obtained a probable cause determination from the PTO's Committee on Discipline prior to issuing her complaint against Respondent. On September 23, 1997, Complainant filed her opposition to the above motion. By order dated October 6, 1997, the undersigned directed that Complainant resubmit by October 9, 1997, her affidavit containing the date(s) that she submitted Respondent's case to the Committee, the date the Committee met regarding Respondent and the date they concluded that probable cause existed. Further, Complainant was directed to submit a copy of the written determination containing the signatures of the Committee and any other analysis supporting the determination of probable cause. In a joint teleconference on

October 7, 1997, the undersigned further directed that Complainant could redact any portion of the probable cause determination being submitted that she felt was attorney work product. On October 9, 1997, Complainant resubmitted her affidavit and the motion to dismiss was denied.

On October 31, 1997, complainant filed a motion in limine opposing any additions or changes to Respondent's initial witness list. The undersigned granted Complainant's motion in limine to the extent that any government witnesses called by Respondent would only be allowed to testify regarding the procedures leading to the issuance of the complaint. Respondent was allowed to call one PTO witness of choice to testify regarding the procedures leading to the probable cause finding against Respondent by the committee but would not be allowed to testify regarding the substantive deliberations of the committee. On November 3, 1997, the undersigned directed that Complainant assist in producing Respondent's witness of choice given that this witness' testimony was only necessary for determining whether the undersigned had subject matter jurisdiction and given that Respondent had indicated that he intended to make, at the close of the Complainant's case, a further motion to dismiss, in part based on the failure of the government to follow its own regulations vis a vis the probable cause determination. Complainant's motion in limine had caused the undersigned to re-review the Complainant's affidavit and the probable cause determination submitted to him in camera which caused the undersigned to be concerned regarding the [16] equivocal nature of the affidavit and the failure of the Committee's probable cause determination submitted in camera to have any dates accompanying its members' signatures. Therefore, the undersigned concluded that reconsideration of the his order denying dismissal based on a lack of subject matter jurisdiction was necessary. The undersigned had the option of either sua sponte reconsidering the motion to dismiss and ordering further testimony regarding the procedures leading to the complaint or granting

Respondent's request for PTO testimony regarding same. In order to protect his own deliberative process, unbeknownst to the parties, the undersigned preferred and pursued the latter.

Additionally, for judicial economy reasons and in order to keep a more intact record, the undersigned directed that Respondent's witness of choice be made available to testify on November 4, 1997, so that the issue of subject matter jurisdiction could be resolved before Respondent began his case-in-chief. On November 4, 1997, Complainant failed to produce the witness but pressed its motion for reconsideration expressing difficulty in complying with the undersigned's order. As an alternative to producing the Respondent's PTO witness of choice, the undersigned granted complainant the option to submit affidavits by all three members of the Committee on Discipline which unequivocally stated the date(s) they met, how they met (in person, by telephone, or by transmittal coordination), the date they reached a determination and the date they signed the probable cause determination.

Again Complainant voiced difficulty in providing either the testimony or the affidavits. Accordingly, the undersigned directed that Complainant indicate by a date and time certain whether it intended to produce the three affidavits by no later than November 10, 1997 at 12:00 noon [E.S.T.) or whether it would produce Respondent's PTO witness of choice on November 12, 1997 at 11:00 a.m. In the interim, the hearing was ordered adjourned. The undersigned further ordered that should Complainant choose to provide neither, the parties were directed to appear on November 12, 1997 at 11:00 a.m. for oral argument as to whether the complaint should be dismissed with prejudice. On November 6, 1997, complainant provided the affidavits and requested that the hearing reconvene on November 12, 1997. The hearing was reconvened on November 12, 1997. with respect to the issue of the lack of a properly obtained probable cause determination, the undersigned concluded that the affidavits

submitted to him satisfied him that the committee had met as required by regulation either through meeting personally, by teleconference or by transmittal coordination of the probable cause determination. Given that the discovery period for the case had long expired by the time of the reconvened hearing and that his efforts were in the midst of trial, the undersigned therefore refused to allow Respondent to further pursue the exact type of methodology by which the PTO committee met and therefore denied his request to [17] dismiss the complaint based on the Committee's alleged failure to meet.

Motion to Dismiss based on Failure to Comply with 5 U.S.C§ 558(c)

Also at the reconvened hearing, Respondent moved for dismissal of the proceeding based on Complainant's failure to comply with 5 U.S.C. § 558(c), citing Capitol Produce discussed supra.

With respect to Respondent's contention that complainant had failed to comply with S U.S.C. § 558(c), the undersigned concluded that contrary to Complainant's contention, it had not given Respondent the type of notice and opportunity, as contemplated by S U.S.C. § 588(c), to demonstrate or achieve compliance regarding the specific facts alleged in its complaint. Accordingly, the undersigned ruled that complainant had the burden of proving by clear and convincing evidence the factual allegations and the violations of the PTO Disciplinary Code cited in the complaint were willful.

Additionally, the undersigned concluded that Complainant had failed to demonstrate that public health, interest, or safety waiver contained in 5 U.S.C. § 558(c) was applicable to the facts involved in this case. The undersigned based his conclusion in large part on the Capitol Produce decision, finding that if the public health, interest or safety waiver did not extend to circumstances involving the suspension of licenses of merchants of food products

undergoing Department of Agriculture inspection, then such public health, interest or safety did not require waiver here.

Dismissal of Count One

On October 3, 1997, Respondent moved to dismiss Count 1 of the complaint arguing: that it was barred by the applicable five year statute of limitations, 28 U.S.C. § 2462; that Complainant did not intend to offer testimony regarding this count and therefore would (relying on aged information and a cold record) be violating Respondent's due process rights to a fair hearing including his Sixth Amendment right to cross-examination; and that the searches and reports involved in Count 1 were not within the jurisdiction of Complainant's office. 4/ [45]Respondent cited Johnson [18] v. SEC 87 F.3d 484, 488-89 (D.C. Cir. 1996), wherein the court ruled that by seeking the suspension of a securities industry supervisor, the SEC was pursuing the enforcement of a penalty and was accordingly bound by 28 U.S.C. § 2462's five year statute of limitations.

On October 20, 1997, Complainant filed her opposition to the motion to dismiss. Complainant did not dispute that the actions complained of in Count 1 were over five years old nor did Complainant dispute the applicability of 28 U.S.C. § 2462 to this proceeding. Instead, Complainant contended that the motion to dismiss is moot given that Respondent failed to raise the statute of limitations as an affirmative defense in his answer to the complaint, therefore waiving that defense. Complainant cited her own rule 37 C.F.R. § 10.136(c) as having required Respondent to "state affirmatively special matters of defense." Additionally,

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[45] The undersigned never reached Respondent's latter two arguments but noted that the proceeding before him was an administrative law proceeding pursuant to the Administrative Procedure Act, 5 U.S.C. § 551 et seq, and was therefore a civil, not criminal, proceeding. Accordingly, the Sixth Amendment right to confrontation was not applicable.

Complainant cited case law holding that a statute of limitations defense is waived unless it is affirmatively asserted in an answer. Complainant also noted an accord to Federal Rule of Civil Procedure 8(c). Finally, Complainant noted that Respondent waited until the "eve of hearing to present this defense."

Given the lack of dispute, 28 U.S.C. § 2462's five year statute of limitations was accordingly found to be applicable to this proceeding.

The undersigned concluded that Respondent in his answer did not waive his affirmative defense of the statute of limitations.[46] In his answer to the complaint, Respondent listed as affirmative defenses:

> [T]he delay in bringing these counts . . . over a period of years denies due process rights and fundamental fairness [and] the principal [sic] inherent in the countless laws barring the institution of actions after the passage of years should be applied to bar proceedings based on acts [19] that occurred many years ago and were known, but not acted upon, for a period of years by the prosecuting authorities.

One need not use the exact words "statute of limitations" when asserting this affirmative defense. See Daingerfield Island Protective Soc. v. Babbitt 40 F.3d 442, 444-45 (1994) (citing Kuizer v. Pittsburgh-Corning Corp., 942 F.2d 122, 125 (2nd Cir. 1991), cert. denied 503 U.S. 939 (1992) (government's boilerplate affirmative defense that

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[46] Regarding Complainant's reliance on her own regulations to conclude that Respondent waived his statute of a limitations defense, the regulations cited by Complainant do not require such a waiver. Neither 37 C.F.R. § 90.336(c) nor any of her other regulations require a waiver if an affirmative defense is not pled. Only allegations contained in the complaint if not denied are treated as admitted. Finally, it is axiomatic that federal regulations may not contravene federal law.

complaint "barred by the applicable statute of limitations" sufficient to invoke Tucker Act without specific citation to the Act and further that while statute of limitation defense must be asserted it "need not be articulated with any rigorous degree of specificity")). Accordingly, while Respondent's statute of limitations defense was not articulated with any degree of rigor, a fair reading of the above cited portions of Respondent's affirmative defenses discloses an invocation of the statute of limitations.

Even if Respondent's answer was read as not having properly invoked the applicable statute of limitations, contrary to Complainant's assertion, Respondent did not waive this defense by failing to include such in his answer. Complainant recited only case law supporting her position and failed to contrast opposing case law. Contrary to her recitation, there is a split in U.S. courts as to the interpretation of how to mesh Rules 8(c) and 12(h) (2) of the Federal Rules of Civil Procedure. Consistent with Complainant's argument, a number of courts have held that unless asserted as an affirmative defense in an answer, a statute of limitations defense is waived. However, a number of courts have held the opposite. See Hargett v. Valley Federal Say. Bank 60 F.3d 754, 762 (11th Cir. 1995); Polsby v. Chase 970 F.2d 1360, 1364 (1992), cert. granted vacated 507 U.S. 1048 (1993), remand 925 F. Supp. 379 (1996); Peterson v. Airline Pilots Assoc. Intern. 759 F.2d 1161, 1164 (4th Cir. 1985), cert. denied 474 U.S. 946 (1985); Rivera v. Anaya 726 F.2d 564, 566 (9th Cir. 1984) (failure to plead a statute of limitations as defense may result in waiver, but that courts do not abuse discretion by allowing post answer assertions of this defense if such late assertion does not result in prejudice or delay).

The undersigned's reading of the case law substantiated a trend away from the position argued by Complainant. Instead, courts are moving toward allowing late assertion so long as it does not delay the proceedings nor

result in prejudice to any party's presentation of his/her case. Complainant's attempt to assert prejudice by stating that Respondent filed his motion on the eve of trial misstates the facts. Respondent filed his motion [20] a month prior to the initial hearing in this case.[47] His motion did not delay that hearing nor did Complainant make any substantial representation that the motion would otherwise prejudice her presentation of her case.

Accordingly, given that Respondent did not waive his affirmative defense of the statute of limitations, given the statute's application to this type of proceeding and given that Complainant did not contend that its claim against Respondent accrued less than five years ago, for good cause shown, the motion to dismiss Count 1 was granted.

Rule on Sequestration of Witnesses

At the request of Respondent and there being no objection from Complainant, all factual witnesses were sequestered for the balance of the hearing.

Six Month Time Frame for Hearing and Deciding this Case

The above docketed case was assigned to this office in April 1997. The memorandum of guidance and procedures given to judges assigned to PTO cases stated that the initial decision was to be rendered no later than six months after the filing of the complaint unless "there are unusual circumstances which preclude issuance" by such date. As noted above, the complaint was filed on April 2, 1997. As a result, the initial decision in this case was due on October 2, 1997. The undersigned was not assigned to this case until mid-May 1997. Given the above extensive pretrial procedural history, given the extensive nature of the complaint and evidence adduced into the record in support thereof and in

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[47] Testimony taken on October 16, 1997, from Complainant's Nelson witnesses related to a separate free standing charge against Respondent.

response thereto, given the fact that trial was not completed in this matter until November 19, 1997, and reply briefs were not filed until January 5, 1998, it should be readily apparent that "unusual circumstances" existed which precluded the issuance of this decision by October 2, 1997.

JOINT STIPULATION OF MATERIAL FACTS

On August 13, 1997, the parties filed the following joint stipulation of material facts:

1. Respondent John P. Halvonik, Gaithersburg, Maryland, is an attorney, a member of the Pennsylvania Bar, and is registered to practice before the PTO, Registration No. 32,796. At all times [21] relevant to this matter, Halvonik was a sole practitioner with a patent law practice and was engaged in the practice of patent law before the PTO.

2. Karen L. Bovard ("Director") is the Director of the Office of Enrollment and Discipline ("OED") at the PTO.

3. On or about May 7, 1990 Robert Marcon, an individual inventor, retained Halvonik to conduct a patent validity search regarding U.S. Patent No. 4,805,535 and provide a written report regarding the validity search. The patent is for a "slug" or bullet.

4. Halvonik gave Marcon an estimate of about four weeks for the time it would take to perform the work.

5. Marcon's telephone records show that he called Halvonik's office on June 19 and June 27, 1990.

6. Halvonik responded to Marcon's messages by writing to him on July 13, 1990, apologizing for the delay in getting back in touch with him, and giving a status report of the search to date. He advised that he was looking for additional search areas, that he wanted to do as good a job as possible, and needed an additional two to three weeks.

7. In a letter dated August 21, 1990, Marcon complained to Halvonik about the length of time to date to complete the project.

8. By letter dated October 4, 1990, Halvonik advised Marcon that the patent was valid. He apologized for the length of time it took to complete the search and stated that he would send a formal report in a few days as copies of the related patents were obtained. Halvonik acknowledged that he would understand if Marcon lost confidence in him.

9. By letter dated November 14, 1990, Marcon advised Halvonik that he needed the formal report and stated that his licensing agreement with the manufacture was in "jeopardy." Marcon again complained about the length of time to complete the work.

10. Halvonik provided a formal validity study dated February 15, 1991 to Marcon.

11. Marcon wrote to OED on December 19, 1990 to complain about Halvonik, particularly in regard to the delay in receiving the formal report and what he perceived to be Halvonik's lack of responsiveness to his telephone inquiries.

[22] 12. OED made written inquiry of Halvonik regarding the issues raised in Marcon's complaint. Halvonik responded in writing.

13. On November 4, 1992, the Director's predecessor, Cameron Welffenbach, advised Halvonik by letter: "I have decided not to present this case to the Committee on Discipline at this time, but to give you the opportunity under S U.S.C. §558(c) to come into compliance with the rules and regulations of the PTO. Accordingly, this investigation is terminated at this time. However, this matter will be considered in dealing with any further complaint or evidence of misconduct which may come to the attention of the office in the future."

14. Halvonik heard nothing further from OED regarding the Marcon complaint until after April 2, 1997, the date on which this Complaint was filed.

15. On or about August 24, 1992, Jack Rick Nelson retained Halvonik to prepare and file a patent application for his invention for a molding strip to be used in replacing automobile windows.

16. Nelson paid Halvonik $1000.00 in two $500.00 installments on August 24 and September 19, 1992 as work progressed.

17. On or about October 8, 1992, Halvonik sent via facsimile to Nelson an initial draft of the patent application, with a Small Entity Declaration form and a Patent Declaration form. Halvonik included written instructions about signing such forms.

18. Nelson sent via facsimile to Halvonik clarifications on October 8, 1992, October 12, 1992, and October 14, 1992. Nelson added numbered drawings in his October 12, 1992, transmission.

19. Prior to October 21, 1992, Halvonik and Nelson discussed the revision by telephone.

20. On October 21, 1992, Halvonik sent via facsimile to Nelson a revised application.

21. Halvonik and Nelson are not in agreement about the substance of their discussion on or about October 21, regarding the October 21, 1992, draft application.

22. On or about October 22, Nelson sent Halvonik a signed Small Entity Declaration and a signed Patent Declaration with $355.00 for the filing fee.

23. On October 29, 1992, Halvonik filed the October 21, 1992, version of the application with the PTO.

[23] 24. After the filing of the patent application, Nelson inquired of Halvonik regarding the version of the application that was filed.

25. On or about February 4, 1993, 1-lalvonik advised Nelson that the draft had been filed without the dimensions, and that an Office Action had been issued by the PTO on January 22, 1993, regarding the application.

26. Nelson discharged Halvonik on February 5, 1993, requested a return of his files and a refund of all money paid. Halvonik returned the files and offered Nelson $1355.00 in settlement by letter dated February 5, 1993.

27. On or about February 5, 1993, Halvonik telephoned Nelson and offered to file a new patent application.

28. Nelson declined the settlement offer.

29. On February 5, 1993, Halvonik represented to Abigail Roseman that Nelson owed Halvonik additional fees.

30. On February 24, 1993, Halvonik filed a "Statement Under Rule 56" in the United States Patent and Trademark Office regarding Nelson's patent application. Halvonik stated: "The applicant executed the oath after reading the older draft, signed and dated it 10/22/92 and mailed the oath back with instructions to file."

31. Halvonik has not returned any money to Nelson.

32. By letter dated February 18, 1993, Nelson filed a complaint regarding Halvonik with OED.

33. Halvonik responded to three written inquiries regarding the matter from OED. His last response to OED's request for information was made on January 24, 1994.

34. On or about March 27, 1993 Diane Palmer hired Halvonik to prepare and file a patent application for a

kitty litter box. Palmer sent Halvonik invention disclosure material and a check for $1300.00.

35. Based on the disclosure material, Halvonik prepared a rough draft of the patent application and sent it to Palmer with his questions and comments on or about April 27, 1993.

36. Palmer revised the rough draft and returned it to Halvonik on or about May 10, 1993 with a cover letter answering his question, setting out additional questions regarding patent requirements, and enclosing additional drawings. In addition, she requested that Halvonik send her instructions and an appropriate [24] format for her to file her own patent application for a kitty litter skirt.

37. Palmer called Havonik on May 19, 1993 to advise him to cease work on the application. She asked for the return of a portion of her fee.

38. Halvonik responded to Palmer that he had almost completed the application as instructed.

39. On May 19, 1993, Palmer discharged Halvonik in the course of their telephone conversation. She asked him to send her by facsimile the work he had done. He sent her the document included in the Appendix to the Complaint at 199-207.

40. On May 20, 1993 Palmer sent Halvonik a letter confirming his discharge. She requested a refund of the entire fee paid.

41. By letter dated June 12, 1993, Palmer requested refund of the fee paid and a return of materials.

42. Halvonik declined to refund the entire fee.

43. On or about July 23, 1993, Halvonik sent Palmer a check for $500.00.

44. Palmer wrote back on July 26, 1993, advising that she had retained counsel.

45. Joel Sachs, counsel for Palmer, wrote to Halvonik on August 5 and August 30, 1993.

46. On or about August 20, 1993, Halvonik stopped payment on the $500.00 check that he had sent to Palmer.

47. Halvonik did not send any other refund to Palmer.

48. By letter dated November 8, 1993, Palmer filed a complaint regarding Halvonik with OED.

49. Halvonik responded on December 30, 1993 to a written request for information from OED regarding Palmer's complaint.

50. Halvonik heard nothing further from OED regarding Palmer's complaint until after April 2, 1997, when this Complaint was filed.

COUNT TWO AND RELEVANT ADMISSIONS/DENIALS

By filing an incorrect and incomplete version of a patent application in the PTO, by engaging in conduct involving [25] misrepresentation to the PTO or another party, by attempting to limit his liability to a client for his practice, and by not returning money paid by the client, Respondent engaged in professional misconduct in violation of 37 C.F.R. 10.23(a), 10.23(b)(4), 10.23(b) (6), 10.77(c), and/or 10.78.

22. On or about August 1992, Jack Richard Nelson (Nelson) did retain Respondent to prepare and file an application for patent on an invention (Appendix, p. 63). ADMITTED

23. On October 8, 1992, after Nelson paid Respondent $1,000.00 (Appendix, pp. 63, 67 and 69), Nelson

received from Respondent an initial draft of a patent application (Appendix, pp. 63, and 70-75). On information and belief, also on October 8, 1992, Respondent did send Nelson written instructions about signing a Small Entity Declaration form and a Patent Declaration form (Appendix, p. 121), and Respondent did send Nelson a Small Entity Declaration form and a Patent Declaration form (Appendix, p. 122). ADMITTED

24. Respondent's initial draft application was incomplete and incorrect (Appendix, pp. 63, 70-75). DENIED

25. Under 37 C.F.R. § 1.74, "[w]hen there are drawings the detailed description of the invention shall refer . . . to the different parts by use of reference letters or numerals (preferably the latter)." ADMITTED

26. The initial draft application was incomplete. On information and belief, the initial draft application was incomplete because, inter alia although the specification describes views of two (2) drawing figures (Appendix, p. 73), (i) Respondent did not provide drawings, (ii) the detailed description of the invention did not refer to the different views by specifying the numbers of the figures, and/or (iii) the detailed description of the invention did not refer to the different parts of the invention by use of reference letters or numerals (Appendix, pp. 7075). DENIED

27. The initial draft application was incorrect. On information and belief, the initial draft application was incorrect because, inter alia (i) the word "sealant" was used instead of "adhesive" (Appendix, pp. 70-75), (ii) the description of a preferred embodiment was omitted (Appendix, p. 74), and/or (iii) the disclosure was misdescriptive (Appendix, p. 74). DENIED

28. Because Respondent's initial draft was incomplete and incorrect, Nelson did type his own rough draft (the retyped draft) and did include additional

information relating to dimensions of his invention (Appendix, pp. 81-86; 119; 118 - Questions 4, 5, and 6; and 121 - Answers 4, 5, and 6). On or about October 12, 13 or [26] 14, 1992, Nelson did provide Respondent with a copy of the retyped draft (Appendix, pp. 81-86). DENIED

29. On or about October 14, 1992, Nelson did communicate with Respondent via telephone and facsimile, and did suggest changes necessary to be made to Respondent's initial draft (Appendix, p. 63; 127 - Interrogatory 6; 131 - Response 6; 137 Interrogatory 30; and 139 Response 30). ADMITTED

30. On information and belief, based on his telephone and/or facsimile communication with Nelson, and Nelson's retyped draft, Respondent did prepare a revised draft application (Appendix, p. 127 - Interrogatory 6; 131 - Response 6; 137 - Interrogatory 30; and 139 Response 30). On or about October 21, 1992, Respondent did send Nelson the revised draft application (Appendix, p. 92103; 127 - Interrogatory 7; and 131 - Response 7). ADMITTED

31. Respondent's revised draft application was incorrect (Appendix, pp. 93-103). On information and belief, the revised draft application was incorrect because, inter alia (i) the word "sealant" was used instead of "adhesive" (Appendix, pp. 94-96, 98 and 100), (ii) a description of the preferred embodiment was omitted (Appendix, p. 99), and/or (iii) the disclosure was misdescriptive (Appendix, pp. 97 and 99). DENIED

32. On or about October 21, 1992, Nelson did communicate with Respondent on the telephone, and did indicate that errors which occurred in Respondent's initial draft application remained in Respondent's revised draft application (Appendix, p. 63; 127 Interrogatory 8; 131 Response 8). On information and belief, Nelson did request that the errors in Respondent's revised draft application be

corrected prior to filing a final version of the application (Appendix, pp. 63, and 120). DENIED

33. On information and belief, during a telephone conference on or about October 21 or 22, 1992, Respondent orally countermanded his written instruction of October 8, 1992, that Nelson not sign a declaration until Nelson was satisfied with the draft, and Respondent did instruct Nelson to sign the Small Entity Declaration and Patent Declaration (Appendix, pp.63; 120, 122; 1 1 7 - Question 3; and 121 - Answer 3). DENIED

34. On information and belief, pursuant to Respondent's instruction, Nelson signed a Declaration for a patent application and a Small Entity Declaration. Nelson sent the same and a check to Respondent without a specification and claims, and without instructions for Respondent to file the revised application in the PTO (Appendix, p. 63; 117 - Question 1; and 121 Response 1) DENIED

35. On or about October 22, 1992, pursuant to Respondent's instructions, Nelson did send to Respondent the signed Small [27] Entity Statement, signed Patent Declaration, and $355.00 to cover the government filing fee for a patent application (Appendix, p. 63). ADMITTED

36. On October 29, 1992, Respondent did file the revised application in the PTO as a patent application without correcting the errors in the revised application (Appendix, pp. 108; 1 1 5; 127 -Interrogatory II; and 131-132 - Response 1 1). DENIED

37. In response to interrogatories from OED, Respondent did represent to the PTO that since Nelson signed the revised application, Respondent "assumed" that Nelson "approved the last draft" (Appendix, pp. 128 - Interrogatory 12; 132 - Response 12). ADMITTED

38. Respondent did represent to the PTO that Nelson instructed Respondent to file the revised application in the PTO (Appendix, pp. 1 19, 128 Interrogatory 12; and 132 – Response 12). ADMITTED

39. The filed application was incomplete and incorrect. The application did not include corrections Nelson requested in a telephone conference with Respondent on or about October 21 or 22, 1992 (Appendix, pp. 115 and 119). The filed application also omitted information regarding dimensions of Nelson's invention which Nelson provided to Respondent in Nelson's retyped draft (Appendix, pp. 129 - Interrogatory 19; 132 - Response 19). DENIED

40. In an Office action dated January 22, 1993, claims in the filed application were rejected under 35 U.S.C. § 112 for, inter alia being indefinite for failing to distinctly claim the invention, and an objection was raised because of an inconsistency between the specification and drawings in the filed application (Appendix, pp. 108-114). ADMITTED

41. On or about February 5, 1993, Nelson did communicate with Respondent, and Nelson did request the return of his files and return of the money he had paid Respondent (Appendix, p. 106). ADMITTED

42. On or about February 5, 1993, Respondent did communicate with Abigail Roseman, Nelson's private attorney, and did represent to Roseman that Nelson owed Respondent money (Appendix, pp. 64; 129 - Interrogatory 22; and 132 - Response 22). ADMITTED

43. On information and belief, Nelson did not owe money to Respondent (Appendix, p. 64). DENIED

44. By letter to Nelson dated February 5, 1993, Respondent did send to Nelson his files, and Respondent did state "I am prepared to forward a settlement offer of $1355.00. Is this acceptable?" (Appendix, p. 124). ADMITTED [28]

45. Respondent did attempt to limit his liability for personal malpractice by offering to return Nelson's money if Nelson agreed not to pursue other damages (Appendix, pp. 65, 124, 130 Interrogatory 24; 133 - Response 24). DENIED

46. On information and belief, Respondent did not promptly return to Nelson the money Nelson paid to Respondent (Appendix, pp. 65, 130 - Interrogatory 25; 133 - Response 25). DENIED

47. On or about February 24, 1993, Respondent did file in the PTO a Statement Under Rule 56 alleging that, Nelson "mailed the oath [i.e., Patent Declaration] back [to Respondent] with instructions to file" the revised application (Appendix, p. 1 19). ADMITTED

48. Respondent did neglect the preparation of a complete application for Nelson by providing Nelson and filing in the PTO an incorrect and incomplete application. DENIED

49. Respondent did not earn all the money Nelson sent to him for preparation and filing of a patent application. DENIED

50. Respondent has knowingly participated in the course of conduct described in paragraphs 22 through 49 of this Count 2, and as a consequence thereof, has been in violation of the PTO Code of Professional Conduct in the following respects: DENIED

a. Respondent's handling of ell aspects of Nelson's patent application and failure to return Nelson's money constitute gross misconduct in violation of 37 C.F.R. § 10.23(a); DENIED and/or

b. Respondent's representation to Roseman that Nelson owed money, and/or Respondent's representations to the PTO or OED that Nelson approved the revised application and instructed Respondent to file the revised

application constitute conduct involving misrepresentation, dishonesty, fraud, or deceit in violation of 37 C.F.R. § 10.23(b)(4); DENIED and/or

c. Respondent's handling of all aspects of Nelson's patent application and failure to return Nelson's money constitute conduct which adversely reflects upon Respondent's fitness to practice in violation of 37 C.F.R. § 10.23(b)(6); DENIED and/or

d. Respondent's conduct of filing the incorrect and incomplete revised application constitutes neglect of a legal matter entrusted to him, and failure to act competently in violation of 37 C.F.R. § 10.77(c); DENIED and/or

e. Respondent's conduct in offering to return Nelson's money if Nelson agreed not to pursue other damages constitutes an [29] attempt to limit his liability for personal malpractice in violation of 37 C.F.R. § 10.78; DENIED and/or

f. Respondent's failure to refund Nelson's money which Respondent did not earn constitutes failure to promptly pay or deliver to the client as requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive in violation of 37 C.F.R. § 10. DENIED

SUMMARY OF EVIDENCE COUNT TWO

Complainant's Relevant Documentary and Testimonial Evidence

Respondent admitted most of the factual allegations contained in Count Two but denied the legal conclusions drawn by the complaint from such facts. Therefore a recitation of the documentary facts supporting the admitted factual allegations is truncated here. This recitation will instead focus on the testimonial evidence which is supplementary to such allegations and/or relevant and material to disputed factual issues.

Complainant called Jack Richard Nelson ("Nelson") and Connie Nelson ("C. Nelson") to testify. Nelson testified that he initially contacted Respondent via Respondent's toll-free number which Nelson had obtained from Yellow Pages and in response to the call received a package from Respondent. He noted that he had never met Respondent and only dealt with him via telecommunications. He further testified that on August 24, 1992, he sent Respondent a $500.00 retainer for an initial draft of his patent and an additional $500.00 on September 19, to complete a final patent application and finally paid Respondent $355.00 for filing fees associated with his patent on October 22, 1992. (Nelson Tr.15-16). Nelson testified that before he got his draft application, Respondent had called for the second payment and seemed surprised that Nelson had not yet received the draft. Nelson stated that he paid the second $500.00 before receiving any draft application but that he did receive a draft application by fax on October 8, 1992. (Nelson Tr.17-22). Nelson stated that the handwriting on Exhibit 24C was his own. (Nelson Tr.23, 25).

Nelson stated that once he got the initial fax from Respondent, he [Nelson] retyped the fax into his own computer so that he had a distinguishable (from Respondent's initial draft) working copy of the text, (Nelson Tr.24, 68), spoke with Respondent about the changes/additions he wanted made to the draft (Nelson Tr.43), sent a fax (Exh. 34, Bates *708-718, Nelson Tr.65) [30] to Respondent[48], the cover page of which was addressed to "John" [Halvonik] (Nelson Tr.127) and indicated that he [Nelson] "would like to file as soon as possible ("ASAP") (Exh. 34, Bates #708) Nelson denied that this statement was meant to instruct Respondent to file the patent application immediately. (Nelson Tr.31). On October 14, 1992, a fax was

[48] The text of Exh. 34 Bates #709-715 and 718 was not received for being illegible. However, the fax markings do indicate that a fax was sent by Nelson's fax machine on October 12, 1992.

sent by the Nelson fax machine [which was received by Respondent, given Respondent's admission that the handwriting on Bates #704 is his own] regarding the Nelson patent and again contained the changes/additions that Nelson had earlier discussed with Respondent. (Exh. 34, Bates #704-7).

Nelson testified that he was "not pleased" with Respondent's October 21, 1992, revised draft of the application because the changes/additions that he (Nelson) had made to the October 8, 1992 fax [from Respondent] and which had been sent to Respondent as well as having been orally communicated to Respondent, had not been made. (Nelson Tr.37-38). Nelson testified that when he received the October 21, 1992 fax he was therefore not ready to file the Respondent's October 21, 1992 version in its current form until he had seen a final version of the application. (Nelson Tr.44). Nelson stated that after receiving the October 21, 1992 fax he attempted to contact Respondent. However, he testified that he had some difficulty communicating with Respondent, just as he had encountered throughout the application process, because Respondent never would return calls made to his office. (Nelson Tr.47-48). Nelson further stated that he eventually reached Respondent on the telephone and again discussed, as well as faxed, the specific changes/additions that needed to be made to the October 21, 1992 revised version of the application. Nelson testified that Respondent promised to make the requested changes/additions. Nelson further testified that he expressed his concern to Respondent about signing the oath or declaration because the document itself indicated that he should not sign it until he had a final version of the application before him. (Nelson Tr.44-47, 83-84).

Nelson testified that his exasperation with Respondent stemmed from the fact that it appeared to him that Respondent had not heeded nor may not have even looked at corrections that Nelson had provided Respondent

regarding Respondent's initial draft application. Specifically, Nelson referred to the sentence reading "Finally, when the window is suitably secured in the window, the foam dam may be removed" that he directed be stricken from the application. Nelson testified that he and Respondent discussed striking the sentence specifically but that the [31] application as filed by Respondent still included the language. (Nelson Tr.53-58)

Based on Respondent's assurances to him that his corrections/additions to the October 21, 1992 would be made, Nelson acknowledged that he signed the declaration but denied that by doing so he had approved the filing of the October 21, 1992 version and asked that Respondent send him a final corrected copy to approve. (Nelson Tr.47, 70-71)

Nelson also testified that on February 5, [1993], he wrote and sent to Respondent a notice of termination of services because he had learned that the application that Respondent had filed was a "rough draft" and that he had not authorized Respondent to file any documents on his behalf after February 5, 1993. (Nelson Tr.48-49, 72, 95). He further testified that it was his impression that Respondent was putting him off and that he felt abandoned in his efforts to get a copy of what had been filed on his behalf in October 1992. (Nelson Tr.49-50). When he finally discussed with Respondent what had been filed, Nelson testified that Respondent was confused and could never find the final version and that he believed that no final version had ever been prepared by Respondent. (Nelson Tr.73, 145). Nelson testified that Respondent promised to refund all Nelson's money and to return his files and indicated that he wished that Nelson not make any complaints to the Bar or PTO and that he (Nelson) construed the request not to complain as a condition for him to get his money refunded but that Respondent never instructed him to seek independent legal advice concerning Respondent's offer. Nelson stated that he got his files returned (Nelson Tr.81) but not his money and

noted that Respondent had never provided him a bill, invoice nor stated to Nelson that he owed Respondent any money. (Nelson Tr.75-76).

Nelson testified that he hired a second attorney to work on his patent application which cost him an additional $2,500.00 and that for that amount he got an attorney that was responsive, understood his patent and put his application in order. (Nelson Tr.79). [49] [32]

During cross-examination, Nelson testified that the patent application that Respondent worked on was Nelson's first (Nelson Tr.99), that he came up with the idea of the patent in July 1992, (Nelson Tr.101), that he sent out a press release regarding the patent prior to contacting Respondent (Nelson Tr.101-02) but later changed his testimony to state that he issued the press release in December 1992 after he had initiated the patent application process (Nelson Tr.175-76), and that Respondent was the cheapest of the attorneys he consulted from those he found in the Yellow Pages. (Nelson Tr.102). He testified that in February 1993, he contacted the PTO about his complaint against Respondent, first heard back from the PTO in September [1993] and then followed up with PTO regarding his complaint for the following 18-24 months. (Nelson Tr.106). Nelson acknowledged that he was concerned about the timetable for filing because he had one year to get the application filed and that because of press release he had issued others might also get an application started, but denied that he ever told Respondent to expedite or hurry the filing. (Nelson Tr.110-11). He admitted asking Respondent to file "as soon as possible" because of his

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[49] Exhibit 79 [Nelson's AT&T long distance toll record] indicates that Nelson placed telephone calls to Respondent on August 6, 19, September 3, 16, 17, 25, 28, 29, October 8, 9, 12, 14, 22, November 3, 13, December 9, 10, 28, 1992 and January 5, 6, 12, 1993. This toll record also indicates that discussions of 10 minutes or longer occurred on September 16, October 8, 14, 22, December 28, 1992 and January 6, 1993. The same toll records indicate that Nelson sent a telefacsimile to Respondent on September 17 and October 8, 12, 1992.

concern for timing. (Nelson Tr.112-13). Nelson acknowledged that he had received a "professionally done packet" from Respondent which walked one through the patent application process and indicated that Respondent's fee for filing an application was $1,000.00 paid up front. (Nelson Tr.114, 120). Nelson also testified on cross-examination that he sent Respondent $500.00 after receiving the package but before ever talking to Respondent. (Nelson Tr.115). Nelson also acknowledged that he could not recall who initiated the next communication between them but that, during it, he informed Respondent that he [Nelson) had not yet received a draft and that Respondent seemed surprised to hear that and responded that the application was "going good" and that he needed another $500.00 to continue working on it. Nelson stated that he agreed to and did mail the $500.00. (Nelson Tr.117-19). Nelson testified that by October 14, 1992, Respondent had three versions of the application, i.e., the original which was Respondent's own written work product, the original version marked-up with Nelson's handwriting and sent to Respondent by Nelson on October 9, 1992, and the redrafted version which had been typed by Nelson on his own computer and sent to Respondent on October 14, 1992. (Nelson Tr.122-24) Nelson admitted that as of October 1992, Respondent had been acting promptly in getting the work done. (Nelson Tr.125). Nelson also admitted that he never expressed anything to Respondent indicating that he was no longer interested in filing ASAP. (Nelson Tr.129). Nelson testified that the October 21 or 22, 1992, telephone conversation between himself and Respondent lasted over an hour and that during that conversation he asked how long it would take to get the application filed. (Nelson Tr.129). Nelson also admitted that when he signed the declaration he knew that the specification of the invention must be in existence when the declaration is signed and may not be changed after the inventor signs the declaration. He denied that his check mark was placed on the declaration [33] indicating that the application was attached

thereto. He stated that Respondent had directed him to sign the statement even though it was false and to swear to such under penalty of perjury saying that it would be all right. (Nelson Tr.134-38). Nelson admitted that based on this direction from Respondent, he signed something he knew to be false (Nelson Tr.139), only relying upon Respondent's verbal assurance that he [Respondent] would create a fourth version of the application with the changes/additions directed by Nelson. (Nelson Tr.140, 147-48).

Nelson further admitted on cross-examination that, a couple of weeks after October 28, [1992], he did receive another copy of the October 21 version with an indication from Respondent that it was the application that Respondent had filed and as a result Nelson testified that he informed Respondent that he [Nelson] thought that either the wrong version had been filed or he had received the wrong copy. Nelson stated that Respondent responded that he could not obtain access to the application until a PTO office action/file number had been taken/assigned to the application but that he [Respondent] would try. (Nelson Tr.142-44). Nelson described the changes that he directed Respondent to make during their October 21 [1992) hour long telephone conference as being important, (Nelson Tr.146-59), but acknowledged that the patent attorney he hired after Respondent did not perceive many of the changes that Nelson proposed to be important, in particular the change from "sealant" to "adhesive". (Nelson Tr.183-87, 212). Nelson admitted that if Respondent had filed an acceptable final version he would have earned his entire $1,000.00 fee. (Nelson Tr.160). Further, Nelson acknowledged that he asked Respondent to determine which application had been filed. (Nelson Tr.160).

In response to questions from the undersigned, Nelson stated that Respondent's price for filing a patent application was one half of what others quoted Nelson, but

that considering Nelson got "a half a job," Respondent may have "earned" the $1,000.00.(Nelson Tr.220)

Regarding discussions of settlement, Nelson testified on cross-examination that Respondent had agreed to return the Nelson file and refund all his money, expressing concern that Nelson not file a complaint against him [Respondent]. Nelson also testified that he had not agreed to refrain filing a complaint and that he was surprised to get his file back without any refund. He noted that he did not expect to receive a return of his filing fee. (Nelson Tr.199-202)

In response to a question from the undersigned, Nelson testified that he continued to feel that Respondent had "misrepresented" him [Nelson] because he [Respondent] had filed a patent application that was missing information which resulted in Nelson's application being rejected by PTO and because Respondent had not made the changes that Nelson had directed and admitted [34] that even though the eventual filing was little different than what Respondent had filed, Nelson testified that because he had a better communicating relationship with his new attorney, he was less concerned about the language of his application. (Nelson Tr.204-208)

C. Nelson testified that she had periodically discussed her husband's patent application on the telephone with Respondent and she recalled that Respondent was concerned about whether or not Nelson would file a complaint with the PTO against him. (C. Nelson Tr.222-23)

On rebuttal, Complainant called John Karasek as an expert witness. Respondent did not oppose such testimony. (Karasek Tr.1490). Karasek testified that he had reviewed the application that was filed by Halvonik on behalf of Nelson as well as Nelson's and Halvonik's transcribed testimony. Karasek concluded that the application as filed by Respondent on Nelson's behalf was deficient as a result of not including the subjective best mode requirement because it did not include the dimensions that Nelson believed to be the

best way of practicing the invention. Karasek stated that adding such dimensions (and changing 'sealant" to "adhesive" as well as removing certain information) after the filing would risk losing Nelson's filing date because the addition of the dimensions would be considered new matter which requires a new filing date, and that he disagreed with Norris' testimony that such would not be new matter. (Karasek Tr.1498-1514, 1558). Karasek further testified that he disagreed with Respondent's testimony that Nelson was not harmed by Respondent's failure to make the requested corrections because the patent that Nelson obtained might not survive litigation or be as "commercializable". (Karasek Tr.1514).

Karasek further testified that he saw a distinction of filing as attorney of record as compared with filing as attorney for applicant but that he would not continue to represent himself to the PTO as attorney for an applicant if he was not acting on his or her behalf. (Karasek Tr.1524-25). Karasek also testified that asking a client to sign and date a declaration before having made the application's final corrections is prohibited. (Karasek Tr.1527). Karasek additionally testified that Nelson's new attorneys filed an entire new set of more comprehensive claims regarding the Nelson patent than had Respondent. (Karasek Tr.1550-52). Karasek stated that filing an application without including an abstract (as Respondent had filed the Menke application) was "error" resulting in an "incomplete" application. (Karasek Tr.1556). Karasek also testified that he disagreed with Respondent's expert's testimony that dimensions are not useful, noting that such articulate the "best mode" (the inventor's optimal intended use) and are "advantageous" because they will eliminate prior art that might otherwise stand in a patent's way. (Karasek Tr.1557-58). With respect to following up on an [35] application, if an attorney was concerned that he might have inadvertently filed something incorrectly, Karasek testified that one would have to wait six to eight weeks to get

a serial number but after that point one could access any application as soon as they desired. (Karasek Tr.1560-61).

On cross-examination, Karasek testified that he had no experience with small entity applications, that Rule 1.72 requires that an abstract be filed with an application, but that if not filed with an original application, an abstract can be added by amendment either by the applicant or by an examiner's sua sponte amendment. Karasek admitted that with respect to the Nelson or Palmer applications Respondent made no mistakes regarding an abstract. (Karasek Tr.1562-68). Karasek acknowledged that he perceived that Respondent's first draft of the Nelson application was "satisfactory" or "fine" for a first draft. (Karasek Tr.1569) Karasek noted that the claims filed by Respondent were in some respects "broader" and in some respects "narrower" when compared with the claims in the final issued patent. (Karasek Tr.1570-71).

Karasek testified that he perceived that it was every patent attorney's duty to solicit from the client the "best mode" and that Respondent was derelict in preparing Nelson's patent because, while he properly solicited or obtained from Nelson the dimensions that exemplified the "best mode," Respondent nevertheless failed to include the dimensions in the application that was filed. (Karasek Tr.1578-87). Karasek also agreed that Rule 56 is a broad rule and is indifferent to the applicant's interest and requires that an attorney of record, even after being terminated as attorney for the client of record, retains a duty to bring any information material to patentability to the PTO's attention. Karasek testified that the attorney who, subsequent to Respondent, prosecuted Nelson's patent application also had the same duty of soliciting a "best mode" from Nelson. (Karasek Tr.1588-93) Karasek further acknowledged that with respect to the dimensions that Nelson's new attorney argued that the dimensions were obvious from the drawings and did not need to be enumerated in the text of the application and that the

patent examiner agreed with the argument and granted the amendment to delete the part of the application where Respondent had left blanks for the dimensions to be filled in. Karasek testified that he thought that the examiner should not have approved the amendment. (Karasek Tr.1722-23). Karasek stated that an applicant can amend the specification to include the dimensions without being concerned for a challenge of having raised new matter. Karasek noted that the "best mode" could be satisfied by drawings and a specification. (Karasek Tr.1603-07). Karasek altered his testimony regarding "best mode" to state that it was "better practice" to determine "best mode" rather than a duty. (Karasek Tr.1612). Karasek reiterated that changing "sealant" to "adhesive" would be considered "new matter" because they are not synonymous terms of art, and denied that it was self-evident from the patent that the urethane involved had [36] inherent adhesive properties given that the urethane in the patent was described as being urethane sealant and urethane adhesive, and that the urethane used in the car windshield installation process has not necessarily always been an adhesive, (Karasek Tr.1616-1709), and because the patent in figure 7 failed to have a line run from the dotted material to a numeral which precluded one from knowing exactly what was being described as urethane adhesive. (Karasek Tr.1666-68). Karasek did admit that if the urethane used "in the automotive windshield industry are inherently, i.e., always adhesive, always have been that property and necessarily have that property, then you could make reference to that without adding new matter." (Karasek Tr.1716).

On re-direct, Karasek testified that 35 U.S.C. § 112 and 37 C.F.R. 1.71 (b) both require the inclusion of the "best mode" with a patent application. (Karasek Tr.1725-27). He stated that based on the patent law concept of "claim/term differentiation" one could conclude that two different materials were involved given the use of "adhesive" and "sealant." (Karasek Tr.1730-33).

On re-cross, he testified that because of the inadequate description of the patent in figure 7, a reader of the application would know that a urethane adhesive was being used but would not know where it was being used. (Karasek Tr.1734-38)

In response to a question from the undersigned, Karasek affirmed that Nelson's concern for using "adhesive" was generated by the fact that such was part of the "shell" concept to which once the windshield was adhered to the pinch frame, the windshield became part of the "shell." (Karasek Tr.1738-39).

Respondent's Relevant Documentary and Testimonial Evidence

Respondent testified that while in law school he was employed part-time beginning in 1988 as a law clerk doing patent searches for eventually three different law firms (Halvonik Tr.960), that he was licensed by PTO in December 1987 and received admittance to the Pennsylvania Bar in November 1988 (Halvonik Tr.963), that he had never served as an associate in any law firm and had only done patent searches, not patent applications, for the firms as a clerk (Halvonik Tr.965-66), that he went directly into solo practice (Halvonik Tr.967), that he markets his services primarily to independent inventors through Yellow page and magazine advertisements listing his toll free number and by undercutting his competition through reduced fees (Halvonik Tr.966-68), that his mailings in response to contacts made through his toll free number had been revised three times in part due to patent law changes (Halvonik Tr.999, 1007-08), that he has changed his methods/practices in response to complaints by clients and as a result he now logs in all calls received, that he has established e-mail and a computerized suspension system (Halvonik Tr.1009-1011), that he has withdrawn as attorney of record from 100 [37] applications because he was unable to establish a satisfactory working relationship with the client, including those cases in which he

withdrew because of client inaction (Halvonik Tr.1012, 1014), that seven to eight complaints had been filed with PTO regarding him (Halvonik Tr.1020), that he learned to send memos to confirm conversations and requesting that clients advise him of their intentions, to give priority to those clients that seemed the most anxious, or have questions, complaints or problems, that he should not have "fought" with Palmer about her $500.00 refund, that he should have been more prompt with another particular client, that he now has every client initial and date their applications before he files them and that he uses an answering machine to insure that client calls are preserved. (Halvonik Tr.1022-28)

With respect to the Nelson application, Respondent testified that he could not recall receiving anything on paper or hard copy or any other communication from Nelson after completing the October 21, [1992] draft that he sent to Nelson and that he could have easily made changes to the application and would never have filed what he did if he had known that his proposed filing was not in accord with Nelson's understanding, invention or description. (Halvonik Tr.1029-33). Respondent testified that subsequent to sending Nelson the October 21 draft he received on October 23, by overnight mail, the filing fee, a patent declaration and small entity declaration and a small piece of paper saying "file ASAP" from Nelson. (Halvonik Tr.1047-48). He further testified that he could recall none of the content of the conversations between himself and Nelson between October 8 and 14, 1992, that he prepared the application that was filed from the information that Nelson had earlier provided him by fax on October 12 and 14, and that he felt pressure from Nelson to get the application filed. (Halvonik Tr.1055-60, 1067-70). Respondent testified that he assumed that the working draft he had on file was a final draft, which is why it was filed, (Halvonik Tr.1073), and that he had not made Nelson's requested change from "sealant" to "adhesive" because it had "obviously escaped my mind." (Halvonik Tr.1075). Respondent stated that he could have easily made

the changes, (Halvonik Tr.107577), that from the time he sent the proposed filing to Nelson he could recall no conversations with Nelson that occurred before he filed the application, that he recalled having a note to file "ASAP," and that at the time he filed he perceived that he was filing in accordance with Nelson's wishes. (Halvonik Tr.1078). He testified his mistaken filing of the draft resulted because he missed the changes that Nelson had wanted to make as well as the dimensions Nelson wanted included. He also stated that when he received the "overnight package" from Nelson it included a patent declaration, small entity statement, the filing fee and a note saying to file "ASAP," that he took the forms attached the draft to the drawings, put a cover letter on it, stapled the check and took the package to the PTO, but admitted that, had he perused the package carefully, he would have noticed [38] the blank spaces for the preferred dimensions and it would have waved a "red flag" to him, at which time he would have taken steps to alleviate any problems. (Halvonik Tr.1087-88). Respondent then attempted to explain what steps he might have taken had he realized the problem. He stated that he could have filed without Nelson's declaration thereby obtaining a filing date and preserving Nelson's legal rights, and then later added the declaration (paying a surcharge for the addition). (Halvonik Tr.1089-92). Respondent described that at some point he did look at the file to see what he had filed and even after such a review he was still uncertain as to what had been filed believing he would not have filed the draft that was in the file which had blanks for the dimensions. (Halvonik Tr.1096). Respondent acknowledged that he had intended to change "sealant" to "adhesive" as Nelson had requested, (Halvonik Tr.1095) and he described various hypothetical options that he had for dealing with instances where he realized that the patent application may be erroneous or incomplete. (Halvonik Tr.1097-1104).

Respondent said he could not recall Nelson saying to him prior to February 1993 that he [Nelson] had sent Respondent

a revised draft after Nelson received Respondent's October 21 draft; however, Respondent could never find in his file a copy of what Nelson stated he had sent. (Halvonik Tr.1108-09). Respondent denied that because of his mistake a draft application was filed that injured Nelson's patent (Halvonik Tr.1110), noting that a range of sizes/dimensions gleaned from the drawings and industry knowledge could have been added to the application without being subject to a "new matter" objection because such were inherent in what he originally filed. (Halvonik Tr.1111). Respondent testified that had he been retained as Nelson's attorney he could have changed the word "sealant" to "adhesive" without being challenged for having added new matter, because adhesiveness was an inherent property of the type of urethane used in automotive windshield installation (Halvonik Tr.1115-18), and that as a result "sealant" or "urethane" could have been used interchangeably in the application. (Halvonik Tr.1118-19). In response to Nelson's concern that a draft had been filed, Respondent testified that he told Nelson they could refile at Respondent's expense which he could have been done immediately, but that Nelson did not want to refile. Once the serial number was known, Respondent noted that they could wait and see what he had filed, which was they decided to do. (Halvonik Tr.1120-22) Respondent stated that there was no way to circumvent the waiting process; therefore, he waited and a serial number did become available some time in December 1992, the exact date of which he could not recall and that when he got the serial number he called the PTO and was informed that the application was in central files and that he should call back. He testified that he did call back two to three times, and that by late January 1993 he decided to go to PTO and look at the file and was told it was with an examiner and two days later asked again and was finally given the file.[39] (Halvonik Tr.1123-25). He testified that when he received the file he realized that the official file contained what he had in his own file and he called Nelson to inform him. He described

that Nelson was unhappy because he was concerned that as a result of Respondent's "screw-up" he [Nelson] would lose money. He further described that Nelson expressed concern about the Gold patent [which had been issued in September 1992] which Nelson had sent to Respondent in January. After receiving the Gold patent from Nelson, Respondent testified that upon reviewing it, he further discussed it with Nelson and informed him that he [Respondent] perceived that Nelson still had a patentable invention. (Halvonik Tr.1126-35). Respondent stated that he advised Nelson that they either file an amendment or a corrected application at Respondent's expense. Respondent testified that he was not happy with his own work product, that he didn't believe he had ever filed a patent with blanks in it before, that he would have never filed it had he realized the problem, that his exchange with Nelson was heated, that he offered the options noted above to Nelson and a couple days later heard from Nelson's personal attorney who informed Respondent that Nelson wanted his file returned to him, to which Respondent indicated that Nelson might owe him additional fees. Respondent stated that Nelson's attorney informed him that in California one cannot hold back a file based upon a past due balance. As a result, he stated that he called the PTO's Office of Enrollment and Discipline to determine its position on holding back a file for past due balance, was informed he could not, and therefore returned the file to Nelson with a settlement offer proposing to return Nelson's out-of-pocket expenses of $1,355.00. Respondent could not recall whether he knew that he should advise Nelson to obtain legal counsel regarding the offer and admitted that he did not think that Nelson was being represented by the attorney that had contacted him [Respondent] on Nelson's behalf. (Halvonik Tr.1136-43). Respondent testified that his next action was to file with the PTO a Request for Permission to Withdraw and that until he received such approval he remained as attorney of record and that he perceived that he had an obligation to and did file a Rule 56 statement regarding prior art impacting

the Nelson application after he filed for permission to withdraw. (Halvonik Tr.1144-47).

In response to questions from the undersigned, Respondent testified that he had refunded at least four clients' money because no application was ever filed on the clients' behalf: one refund in full, two partial refunds, and a refund check he later stopped payment on. (Halvonik Tr.1017-18). He also testified that with respect to the complaint he did not have much disagreement with the facts alleged in Count Two regarding the initial draft application. (Halvonik Tr.1150-54). He initially admitted that his initial draft of the Nelson application was incomplete in the sense that he did not include drawings and was incorrect because he had used the word "adhesive" when he should have used the word "sealant." (Halvonik Tr.1150). He later refined his answer to [40] mean that his initial draft was incomplete in that his detailed description of the invention did not refer to the different parts "by figure -- by numerals." (Halvonik Tr.1152). However, he explained that at the time he completed the initial Nelson draft application he did not understand that he should have used "sealant" and that therefore his initial draft was technically not incorrect because of his lack of knowledge when he failed to use the word "sealant." (Halvonik Tr.1151-53). He also testified that his initial Nelson draft application was not incorrect for failing to note a preferred embodiment because he did not know the size of the invention that Nelson preferred. (Halvonik Tr.1153-4). Respondent did acknowledge that his initial Nelson draft and the draft that was filed were incorrect because the disclosure was "misdescriptive" and he had failed to correct it. (Halvonik Tr.1154-56)

Respondent likewise testified that with respect to the complaint he did not have much disagreement with the facts alleged in Count Two regarding the revised draft application. (Halvonik Tr.1154-58). He admitted that at the time he completed the revised application he understood the

necessity of changing "adhesive" to "sealant," and in fact wrote on Exhibit 34, Bates #704 "change the sealant to adhesive" (Halvonik Tr.1048-50), but that he did not make the change and that as a result the revised draft was incorrect in that respect. (Halvonik Tr.1155)

While recalling that an exchange took place between himself and Nelson on or about the 21st (October 1992), Respondent could not recall anything further about the substance of the discussion that took place with his client that day but did not believe that he would have told Nelson to sign the patent and small entity declarations and forward them to him. (Halvonik Tr.1157-58). Respondent admitted that he could not dispute Nelson's testimony regarding the content of that conversation between them because he could recall nothing of the conversation. However, based on his normal practice, he testified that he did not believe that he would have instructed Nelson to do as Nelson testified. (Halvonik Tr.1158-60). He testified that he filed an application that had errors and that the errors had been previously brought to his attention through the October 21 version that his client had provided him, including dimensions that had been provided to him on October 14, 1992. (Halvonik Tr.1159-1160), (Exh. 34 Bates #705). Respondent did testify that Nelson requested that the final application be filed as soon as possible. (Halvonik Tr.1078)

Respondent further admitted that he did not dispute that he had neglected the preparation of a complete application because the application he did file was incorrect and incomplete, but even having filed such an application, Respondent testified that he was owed by Nelson the fee that Nelson had paid. He stated that he concluded this because he perceived that there was no harm done to [41] Nelson because the dimensions could be gleaned from the drawings and art and because "sealant" could be changed to "adhesive" at no cost to Nelson. (Halvonik Tr.1163-65)

Respondent testified that he perceived that Nelson owed him additional fees because he had done additional work for Nelson by reviewing the Gold patent, (Halvonik Tr.1160), and acknowledged that he has never returned any funds to Nelson. (Halvonik Tr.1162). With respect to the complaint's allegation that Respondent owed Nelson a return of funds, Respondent testified that because he had done extra work on a Gold patent for Nelson before Nelson terminated their attorney-client relationship, he believed that Nelson owed him funds given that it was the type of work for which he would normally bill. (Halvonik Tr.1161-62, 1221-22). Respondent disputed that his proposal to pay Nelson $1355.00 was an effort to limit his liability but rather was an effort to settle all claims arising out of the Nelson application. (Halvonik Tr.1163). At the time he proposed the monetary settlement, he testified that he had not thought about the work he had done on the Gold patent nor had he completed any quantum meruit analysis of his contribution to the application. (Halvonik Tr.1166-67).

Regarding the legal conclusions to be drawn from the facts, Respondent continued to dispute all the legal conclusions drawn regarding Count Two except that he admitted that he failed to act competently and therefore admitted that he violated 37 C.F.R. § 10.77(c). (Halvonik Tr.1173-74)

Later, Respondent changed his testimony to state that he had not acted incompetently regarding 37 C.F.R. § 10.77(c) because he had not neglected the Nelson application; i.e., he had not failed to file the application nor file it within prescribed time frames. (Halvonik Tr.1217). He acknowledged that he did not follow the (competency) standards he has now and that he neglected to change "sealant" to "adhesive" and neglected to take the special precautions he takes now. (Halvonik Tr.1218). Finally, Respondent testified that he had returned to Nelson his file as requested. (Halvonik Tr.1176)

Respondent acknowledged that he understood that he was being directed to make the change from "sealant" to "adhesive" and had written such as a note to himself on what he had received from Nelson (Halvonik Tr.1061-64, 1159-60), but that the changes were not made because he forgot to make them including adding the dimensions. (Halvonik Tr.1074-75, 1080)

Respondent testified that he filed an incomplete and incorrect application and that such error was "neglect," but that he nevertheless earned his fee based on the value he contributed to the application given that there was no harm to Nelson because the dimensions could be gleaned from the drawings and skill in art and because "sealant" could still be changed to "adhesive", as [42] adhesive did appear in the application, at no cost to Nelson. (Halvonik Tr.1163-66, 1173). He denied that he ever contemplated reducing the $1,355.00 he offered Nelson based on the extra work Nelson had Respondent do regarding the Gold patent. (Halvonik Tr.1166-67)

Regarding the filing of the Nelson application, Respondent provided information about how the erroneous application was filed. He described that he hand carried the application to the PTO after having pulled out what was in the file and stapling it together (with the assumption that it had been approved). (Halvonik Tr.1170). Respondent clarified that his admission that he had neglected Nelson to mean that he failed to act competently regarding the Nelson application. (Halvonik Tr.1173-74).

On cross-examination, Respondent admitted that he received the notice of filing sometime in December 1992 and that he did not review the PTO file until the end of January 1993. (Halvonik Tr.1179-80). He further testified that after having been contacted by PTO about Nelson's complaint that he [Respondent] never indicated that Nelson still had a balance due, that he never sent Nelson a bill for the additional services [acknowledging to the undersigned that

he bills infrequently over the calendar year] (Halvonik Tr.1181-83), that he did sign Exhibit 24-I, Bates #638 as attorney for applicant even though he was attorney of record (Halvonik Tr.1184-85), that his request for withdrawal was filed and approved on February 5 and 10 [1993], respectively, but that he did not get notice of the approval until after filing the Rule 56 statement (Halvonik Tr.1186-88), that Nelson had to pay additional fees to his new attorney for work that was done on the application including amendments thereto (Halvonik Tr.1193-94), and that, when he received the two $500.00 checks from Nelson in August and September of 1992, he did not deposit them in a client trust account but in his general account, even though he acknowledged that he had just begun to do the work for Nelson and that he never later provided Nelson a written accounting of his billing. (Halvonik Tr.1199-2000)

On re-direct, Respondent testified that he did not neglect Nelson's application. (Halvonik Tr.1212). Because he failed to make the corrections that Nelson asked him to do on October 14, (1992), Respondent stated that when Nelson's signed patent declaration arrived without the patent specification in the same package, at the time of the filing he assumed that the last draft sent to Nelson had been read and approved by Nelson and therefore Respondent attached the signed declaration. (Halvonik Tr.1212-13) Respondent testified that it was his practice to (give cursory) review to what he filed (Halvonik Tr.1171), but that he should have checked the application and the surrounding circumstances leading up to its signing more closely, and that his practice is now to have the inventor initial and date each page of the application being filed before it is filed. (Halvonik Tr.1213-14). [43] He further explained that he attributed his perception that he had failed to act competently regarding the Nelson application to his failure to take special precautions; i.e., require the inventor to initial and date each page of the application, and he asserted that he was competent, in accordance with Rule 10.77(a), to handle the Nelson

application and that he did not neglect the Nelson matter, (Halvonik Tr.1215-17). He described that he basically worked for a fixed fee payable in advance with respect to his clients, that he could not recall billing separately for additional work beyond a filing in 1992, that such separate billings occurred "rarely," and that part of services to his clients included follow-up with the PTO after their application is filed. (Halvonik Tr.1222-24). He stated that he received notice of approval of withdrawal from the Nelson case after he filed the Rule 56 statement, which event he specifically recalled because he thought his actions in filing the Rule 56 statement would be the basis for further complaint. (Halvonik Tr.1224-25).

On recross-examination, Respondent testified that he perceived that his client's advanced fixed fee became his [Respondent's] after he "had given to the client value equal to or beyond" the fee paid. (Halvonik Tr.1237).

In surrebuttal to Karasek, Respondent testified that, based on relevant skill in the art, a working skilled artisan (or the reasonably prudent person in the field) would know when reading the Nelson patent application that the inherent qualities of the materials described therein and that specifying/adding such qualities after the patent was filed would not be adding new matter. He further testified that whether the urethane being described as a "sealant" was also adhesive would be a factual issue ripe for a battle of experts as to whether there was sufficient disclosure to determine the type of urethane described in the Nelson patent and admitted that the amendment to add a trade name type of urethane was an effort to bolster Nelson's claim to an adhesive type of urethane should any litigation arise. (Halvonik Tr.1863-90).

In recross of surrebuttal, Respondent admitted that had he changed "sealant" to "adhesive," the issue of whether the Nelson patent application urethane was "adhesive" would never be ripe for litigation. (Halvonik Tr.1892-96)

In response to questions from the undersigned, Respondent admitted that not every urethane has adhesive properties. (Halvonik Tr.1861-62). [44] Respondent called two lay witnesses, Lipschitz and Menke, to testify in his defense.[50] They testified that they hired Respondent in 1989 and 1995, respectively, to prepare patent applications for them, that they felt he had read the materials they provided and understood their invention, that they had been happy with the responsiveness, timeliness and quality of his services and that he held his fees to what he quoted to do the filing and did not attempt to get additional fees. (Menke Tr.801-03) ; Lipschitz 891-915). Menke testified that Respondent required that he initial the pages of the final application (Menke Tr.801) and that Respondent had Menke's drawings redrawn. (Menke Tr.803-04)

On cross-examination, Menke acknowledged that: he was unaware that Respondent had failed to include an abstract with Menke's patent application as required by 37 C.F.R. § 1.72(b) and that the abstract had been included as a result of an examiner's amendment (Menke Tr.813-15, Exh. 75); Respondent was involved in the evolution of his drawings (Menke Tr.818); he would still retain Respondent's services even knowing that certain of Respondent's clients had complained about him (Menke Tr.820); and that regarding the various legal and financial problems that Respondent had been involved in, he would want to know more about them and which of the problems were on-going and that he would have been incrementally involved with Respondent and therefore have limited his financial exposure with Respondent. He further indicated that he would have asked Respondent about any problems had he (Menke) known of them. (Menke Tr.868-69).

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[50] While set forth here as being part of Count Two, the testimony of Respondent's lay and expert witnesses was considered also in the analysis and weighing of the charges listed in Count Three.

On redirect, Menke testified that he initialed every page of his patent application at Respondent's direction. (Menke Tr.877). Menke also testified that his prior experience with two other patent attorneys had been both good and bad (Menke Tr.881-84), and that in comparison, his experience with Respondent on every "count" was more than satisfactory in that Respondent's actions were both helpful and timely and that he never felt neglected by Respondent. (Menke Tr.884-86).

Respondent also called to testify another former client, Sarah Lipschitz. She testified that after some preliminary patent research on her own from 1988-89 and an unsatisfactory experience with another patent attorney group, she engaged Respondent by having him do a patent search, that his work was "thorough" and his fees were "nice . . . cheaper" than a "supposed" non-profit (Lipschitz Tr.894-97), that she eventually got her patent as a result of Respondent's efforts, that she has been involved with [45] additional patents but only works regarding them with Respondent, that she only dealt with Respondent via telecommunications, that Respondent grasped the concept of her patent quickly, was helpful in formulating her application, and that she had satisfactory interaction with Respondent. (Lipschitz Tr.900-13)

On cross-examination, Lipschitz testified that Respondent had filed three patent applications on her behalf, (Lipschitz Tr.919), that she would not expect to have gotten a refund if she changed her mind after paying Respondent and he had gotten halfway through completing her application unless such had been agreed upon prior to engaging his professional services (Lipschitz Tr.92333), and [in response to a question from the undersigned] that she has never in her life asked for a refund for services not performed. (Lipschitz Tr.934)

On redirect, Lipschitz testified that under no circumstances would she have ever asked for a refund from Respondent. (Lipschitz Tr.949)

Respondent also called Jerome J. Norris ("Norris"), a patent attorney who [after voir dire examination by Complainant] was qualified as an expert witness in patent law. Having reviewed the Nelson patent application prepared by Respondent and Nelson's allegation that Respondent should have corrected the mistakes that Nelson brought to Respondent's attention, Norris testified that Respondent had initially filed for a process claim and that Nelson's new attorney added an apparatus claim to the application drafted by Respondent. (Norris Tr.558-61). Norris opined that the successor attorney could not have resurrected, i.e., used the same serial number for, the application had it been fatally defective. (Norris Tr.561). Norris also testified that applications may be changed without adding new matter including a change in the statutory claim, so long as the basis for the change was included in the original application (Norris Tr.564-65), that a specification may be amended to add subject matter that was initially only in the claim and vice versa (Norris Tr.565), adding that the patent eventually awarded to Nelson was based on its description as filed by Respondent. (Norris Tr.567). Norris denied that the change in claims made the errors about which Nelson complained less significant (Norris Tr.568-71) and further testified that dimensions are not required in an application, are generally not put in an application out of fear for limiting the scope of the invention and that a PTO applicant may seek by amendment to delete a paragraph referring to dimensions where the dimensions were left blank without running the risk of being accused of submitting new matter by deletion. (Norris Tr.571-76)

Norris testified that until some notice is provided to it, the PTO considers the last attorney in contact with it as the attorney of record. (Norris Tr.576-77). Norris testified that

PTO Rule 56 requires that an attorney of record inform the PTO of any [46] and all facts known to the attorney affecting the materiality/patentability of a client's invention. (Norris Tr.576-80) Further, Norris testified that Rule 56 precludes an attorney from filing an application which has not been reviewed by the attorney's client/inventor and that if an inventor wants to make changes to an application then the declaration must be signed only after the inventor has had the opportunity to review the revised application. (Norris Tr.581-83). Norris also described the patent application process as being a give and take process between attorney and inventor and that as a result the applications "get invariably revised" and that to his knowledge no first draft of an application is ever perfect but usually has to be revised/changed/ corrected because of many factors including the prior art. (Norris Tr.591-92, 744-46). He also described that once an application is filed there is a significant period of time before an interested party can locate its filed application because of the regulatory lag time in assigning serial numbers, that depending on the subject matter of the invention, formal drawings are not usually "needed" or "required," (Norris Tr.585), and that prior art statements are also not required. (Norris Tr.587).

On cross-examination, Norris admitted that if an application is not accurate because it too narrowly describes the invention, such a narrow description could allow new prior art, if no correction is made, to preempt the market. (Norris Tr.597-99). He further described that he never includes dimensions in his applications (Norris Tr.601-02) and admitted if an application had been filed leaving blank dimensions, the subsequent addition of such dimensions would be considered new matter. He noted that by leaving blank the dimensions of Nelson's invention, Respondent had precluded Nelson from adding such dimensions unless Nelson was willing to accept a new filing date. (Norris Tr.602-03). Norris also stated that he does not recommend including dimensions particularly regarding a mechanical

invention whose operability or functionality was not dependent on dimensions (particularly an auto window molding) and that an invention may have a preferred embodiment without setting forth the invention's dimensions. (Norris Tr.605-06, 611). He further described the process by which a declaration is signed after a patent is ready to be filed and that he would not file any document with the PTO acting as if he were still an attorney of record after having been fired. (Norris Tr.650-57). He also reiterated the extensive regulatory time lag before applicants are given notice of their filing date and serial number. (Norris Tr.657-61). Finally, Norris testified that once having received the serial number in early December Respondent could have more quickly determined what he had filed. (Norris Tr.665-71)

On redirect, Norris testified giving further example as to a substantive input that Respondent made to the Palmer application. (Norris Tr.724-733). Norris also testified that Respondent was not sure if Palmer's reference to waterproof dealt with the litter [47] or with the kit and that her follow-up question to Respondent as to the advisability of describing her invention as being "preferably waterproof" demonstrated that such was not the core of her invention. (Norris Tr.749-52).

During questioning by the undersigned, Norris testified that it was his opinion that Nelson's second attorney unnecessarily filed for a method claim in addition to an apparatus claim and that the apparatus claim would have been sufficient itself and that by adding the method statutory claim the second attorney had narrowed Nelson's claim . (Norris Tr.616-27). Norris also testified that the subsequent attorney working on Nelson's patent could have substituted "adhesive" for "sealant" even after the filing without fear of having added new information. (Norris Tr.639-41)

In response to questions from the undersigned, Norris testified that when he compared Palmer's submission with

Respondent's first draft and the first draft with Respondent's second draft of the Palmer application, he found that Respondent had made substantive [attorney work product type] changes. (Norris Tr.681-718). Norris testified that he did not conclude that Respondent, when he completed his initial draft, had missed the central thrust of the Palmer invention's waterproof nature when he described the invention as being absorbent, (Norris Tr.736-744), but admitted that Respondent would not have been able to file his final version of the Palmer application because he had failed to include in it a claim which would make the application deficient. (Norris Tr.753-54).

COUNT THREE AND RELEVANT ADMISSIONS/DENIALS

By providing a client with incomplete and incorrect applications to review; and by not promptly delivering to the client unearned fees and other properties in Respondent's possession belonging to the client, Respondent engaged in professional misconduct in violation of 37 C.F.R. §§ 10.23(a), 10.23(b)(6), 10.77 (b) and/or (c), 10.112(c)(4).

51. In or about February, 1993, Diane Palmer (Palmer) did hire respondent to evaluate her invention (Appendix, p. 14 1), and did provide Respondent with invention disclosure material (Appendix, pp. 142-179). DENIED

52. In or about March, 1993, Palmer did pay Respondent $1300.00 to prepare and file a patent application (Appendix, p. 180). ADMITTED

53. Based on the Palmer's invention disclosure material, Respondent did prepare an initial draft application, and Respondent did send the initial draft application to Palmer on or [48] about April 27, 1993 (Appendix, pp. 181-188), but Respondent did not provide Palmer with copies of any drawings (Appendix, pp. 183-188, 218). ADMITTED

54. Under 37 C.F.R. § 1.74, "[w]hen there are drawings.. .the detailed description of the invention shall refer... to the different parts by use of reference letters or numerals (preferably the latter)." ADMITTED

55. The initial draft application was incomplete. On information and belief, the initial draft application was incomplete because, inter alia although the specification describes views of two (2) drawing figures, (i) Respondent did not provide drawings, (ii) the detailed description of the invention did not refer to the different views by specifying the numbers of the figures, and/or (iii) the detailed description of the invention did not refer to the different parts of the invention by use of reference letters or numerals (Appendix, p. 183-188, 218). DENIED

56. The initial draft application was incorrect. On information and belief, the initial draft application was incorrect because, inter alia (i) although Claim I did provide for a "third member made of absorbent material" (Appendix, p. 188), Palmer's disclosure did not describe any member as being absorbent material (Appendix, pp. 147-179, 218), (ii) Claim I did describe the "third member" as being "made of absorbent material" (Appendix, p. 188), whereas Palmer disclosed or considered the exact opposite characteristic to be an essential and unique feature of her invention (Appendix, pp. 142-179, 191), and/or (iii) each claim did not describe the second and third members of the invention as being waterproof, a quality Palmer disclosed or considered absolutely essential to her invention (Appendix, pp. 142-179, 191). DENIED

57. Palmer did prepare a revised application (Appendix, pp. 189-198), and on or about May 10, 1993, Palmer did send her revised application to Respondent along with a cover letter (Appendix, pp. 189-190) explaining the inaccuracies in Respondent's initial draft application. ADMITTED

58. Respondent, using Palmer's typed revision of the application, did prepare a second draft application (Appendix, p. 227, I numbered 3.d. on or about May 19, 1993, Respondent did send to Palmer the second revised application (Appendix, pp. 199-207). ADMITTED

59. On information and belief, the second revised application sent to Palmer was incomplete and incorrect inasmuch as, inter alia it did not include any claims (Appendix, pp. 199-207, and 211). DENIED [49]

60. On information and belief, the second revised application sent to Palmer was incomplete and incorrect inasmuch as, inter alia it did not include any drawings (Appendix, pp. 199-207, 211), although the specification contains a brief description of several views of nine drawing figures (Appendix, pp. 203-204), the detailed description of the invention does not refer to the different views by specifying the numbers of the figures, and the detailed description of the invention does not refer to the different parts of the invention by use of reference letters or numerals (Appendix, pp. 204-207). DENIED

61. On or about May 20, 1993, Palmer discharged Respondent, and requested return of the money she had sent to him (Appendix, p. 211). DENIED

62. On or about June 12, 1993, Palmer again requested that Respondent return the money she had sent to Respondent and her materials (Appendix, pp. 212-217). DENIED

63. On information and belief, to date Respondent has not' returned Palmer's disclosure materials or the money Palmer sent to Respondent to prepare and file a patent application (Appendix, pp. 142-180, 211, and 218-229). OED confirmed the same with Palmer as recently as June 6, 1995. ADMITTED

64. Respondent did handle preparation of incorrect, and incomplete applications for Palmer without adequate preparation in the circumstances. DENIED

65. Respondent did neglect the preparation of applications for Palmer by providing Palmer with incorrect and incomplete applications. DENIED

66. Respondent did not earn all the money Palmer sent to him for preparation and filing of a patent application. DENIED

67. Respondent has knowingly participated in the course of conduct described in paragraphs 51 through 66 of this Count 3, and as a consequence thereof, has been in violation of the PTO Code of Professional conduct in the following respects: DENIED

a. Respondent's handling of all aspects of Palmer's patent application and failure to return Palmer's disclosure materials and money constitute gross misconduct in violation of 37 C.F.R. § 10.23(a); DENIED and/or

b. Respondent's handling of all aspects of Palmer's patent application and failure to return Palmer's disclosure materials and money constitute conduct which adversely

reflects upon Respondent's fitness to practice in violation of 37 C.F.R. § 10.23(b) (6); DENIED and/or

[50] c. Respondent's handling of Palmer's patent application in preparing incorrect and incomplete applications constitutes inadequate preparation in the circumstances and failure to act competently in violation of 37 C.F.R. § 10.77W); DENIED and/or

d. Respondent's handling of Palmer's patent application in preparing incorrect and incomplete applications constitutes neglect of a legal matter entrusted to

him, and failure to act competently in violation of 37 C.F.R.. 10.77(c); DENIED and/or

e. Respondent's failure to refund Palmer's money which Respondent did not earn constitutes failure to promptly pay or deliver to the client as requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive in violation of 37 C.F.R. § 10.112(c) (4). DENIED

While Respondent denied complaint allegation 67(f), the undersigned's copy of the complaint contained no such allegation. Accordingly, no legal charge is here being adjudicated under this numbered allegation.

SUMMARY OF EVIDENCE COUNT THREE

Complainant's Relevant Documentary and Testimonial Evidence

Complainant called Diane Palmer to testify in support of Count Three. Palmer testified that for the $1,300.00 she paid Respondent he agreed to complete a patent application including drawings that would be accepted by the PTO. (Palmer Tr.256, 271-72). Palmer described that she initially sent her invention materials to another attorney for review, that she provided Respondent the materials she had provided the prior attorney as well as the prior attorney's work product, that she wrote to Respondent [in February 19931 and waited for and received his first rough draft dated April 27, 1993 (Exh. 35-C, Bates #724-726), that she read over the rough draft and perceived that it had a number of "major mistakes" and only seemed to regurgitate key words and phrases from her materials. As a result, she testified that she rewrote the application. (Palmer Tr.257-66, 287, Exh. 35C, Bates #724-26). She described Respondent's major mistakes as being his claim that her invention alleviated the need for constant maintenance of the litter box [as opposed to litter]

and his claim that her invention was absorbent rather than waterproof. (Palmer Tr.267-69). Additionally, she testified that Respondent had not included any drawings and that his discussion of the prior art was incomplete. (Palmer Tr.271-72) [51]

Palmer further testified that after May 10, 1993, she rewrote the application (Exh. 40, Bates #777, 778) [which re-write she felt should have made her concerns perfectly clear to Respondent given her expectation that he would have compared her response to his rough draft). When Respondent requested that she specifically identify his deficiencies for her, she testified that his response further frustrated her given that she felt that she was doing his work for him while he was getting paid. (Palmer Tr.273-75). After she mailed her revision (Exh. 41, Bates #801810) to Respondent but before she had gotten her second response from him, she testified that she reflected on her relationship with Respondent and decided to terminate their relationship. She stated that she called Respondent on May 19, 1993, to terminate the relationship and then wrote to him the next day. She further testified that during the telephone conversation of May 19, 1993, Respondent indicated surprise by her decision and dismay with her intention given that he had been up all night working on her application (which Palmer testified she did not believe) and had a second draft ready and insisted on sending it to her and refused to be dissuaded by Palmer who stated that she had already decided to terminate the relationship but finally relented and stated "All right, fax it to me." (Palmer Tr.287-90). Palmer indicated that as a result, on May 19, 1993, she did get several faxes from Respondent a few minutes apart in the late afternoon that same day, the text of which was "pretty much verbatim the revised draft" she had sent him. (Palmer Tr.291-95). Palmer testified that after receiving the fax, in addition to noting that it seemed to be a verbatim copy her draft, she noted that it also failed to have a claim section and had no figures. As a result, she stated that she had several conversations with Respondent during which

he hung up on her and during which she informed him of her wish to withdraw from his services while requesting a portion of her money back. Palmer testified that Respondent kept insisting on knowing exactly what deficiencies existed in his work. Palmer described that her letter of May 20, 1993, was intended to get a major portion of her money back which request she later changed to all of her funds based on her frustration with dealing with Respondent. (Palmer Tr.295-303). She noted that she did eventually convey to him the requested specific deficiencies in her letter dated June 12, 1993. (Palmer Tr.270, 279-80).

Palmer also testified that she requested but never got any of her materials returned by Respondent (Palmer Tr.304-07), that she received no detailed billing from Respondent, that Respondent proposed to settle the matter by paying her $400.00 but mailed on July 23, 1993, a check in the amount of $500.00, that she could not recall if he ever advised her to seek independent legal counsel regarding the proposed settlement, that she was dissatisfied with the $500.00 and communicated such to Respondent in a letter dated July 26, 1993, that she therefore hired an attorney who wrote to Respondent and who rejected Respondent's offer of settlement. Finally, Palmer stated that on August 30, [52] 1993, she tried to cash the check but was informed that Respondent had placed a stop payment on the $500.00 check. (Palmer Tr.307-20)

On cross-examination, Palmer testified that she currently was, and had been, a court reporter for the ten years prior to the time she first contacted Respondent (Palmer Tr.345), that the idea for her kitty litter box invention germinated with her six months to a year prior to the time she contacted Respondent (Palmer Tr.346), that the prior attorney she had hired had given her a written opinion that her invention might face some difficulty in being patented (Palmer Tr.347-49) and might require three various categories of patents (Palmer Tr.353-55), that as a result, she

did some patent research of her own and concluded that the prior attorney may not have been fully correct (Palmer Tr.350), that she contacted Respondent in part for a second opinion and hired him because he was closer to the PTO, and that after she terminated her relationship with Respondent, she did not pursue her patent. (Palmer Tr.355-60). Palmer also testified that she had decided to fire Respondent after receiving his initial rough draft and after she had sent her May 10, 1993 letter. (Palmer Tr.356-57) She stated that she felt that Respondent had not "put forth any meaningful effort" which was why she felt she was due a refund of a major portion of her funds. (Palmer Tr.362-3). She described in detail the readily available type of materials she had forwarded to Respondent including the aluminum foil which she considered to be both rigid/semi-rigid and malleable (Palmer Tr.363-367), that Respondent in a telephone conversation agreed to provide her professional drawings for her invention as part of his $1,300.00 fee (Palmer Tr.373-74), that she would have to pay an additional amount for the filing fee (Palmer Tr.375-77), that she paid for Respondent to complete an acceptable patent including revisions (Palmer Tr.378), that she felt that she was due a refund of her entire fee although she did not expect to get such (Palmer Tr.386), that her concern about the lack of a description of prior art was due to her belief that such was required in an application, that she was unaware of any danger of describing prior art, that, given her impression that Respondent had only given her materials cursory review, she did not believe that he had read the prior art, (Palmer Tr.389-91), and admitted that she had informed Respondent that he either refund her money or she would complain to Bar associations and the PTO. (Palmer Tr.392). She also stated that Respondent did not seem to care if she took such action nor did he attempt to dissuade her. (Palmer Tr.395-96). Finally, during cross examination, she testified that her attorney recommended that she return to Respondent his $500.00 check but that she wanted to cash the check and argue about the difference, and

that as a result, the two of them could not agree on the process for getting her money back. (Palmer Tr.398-401)

On redirect, Palmer testified that the draft she received from Respondent by fax on May 19, 1993 was still not ready for [53] filing because of missing drawings. (Palmer Tr.405-06). She further testified that in the letter dated May 10, 1993, she asked Respondent about having drawings professionally prepared as soon as possible and may have orally asked Respondent about such from the outset and that she was under the impression that Respondent was going to provide drawings. (Exh. 41, Bates #801, Palmer Tr.405-06). She confirmed that the attorney she had hired rejected by letter (Exh. 35-F, Bates #733) Respondent's $500.00 refund offer, but that she did try to cash the check, on which a stop payment had been placed. She further recalled asking Respondent by letter dated June 12, 1993, (Exh. 35-J, Bates #741) to return her materials. (Palmer Tr.406-08).

In rebuttal regarding the Palmer application, Complainant's expert witness Karasek testified that he perceived that Respondent had missed a "prominent" aspect of Palmer's invention. He noted that such was not a subtlety that patent attorneys would often fail to appreciate when making an initial draft. He also stated that Respondent failed to include figures and drawings which would have made the initial and subsequent drafts understandable (Karasek Tr.1534-38), but admitted that Respondent did not take an inordinate amount of time to complete the Palmer application. (Karasek Tr.1544-46).

Respondent's Relevant Documentary and Testimonial Evidence

Respondent testified that he first did work for Palmer in March 1993 after having received a package of materials from her. He could not recall anything being in the package other than written materials nor could he specifically recall

her sending him any "physical materials." He further testified that he had quoted Palmer a $1,300.00 fee for filing her patent, and that, within two to three weeks, he sent her a draft of the proposed application. (Halvonik Tr.1250-53). Additionally, he testified that he felt the drawings that she had provided him, after some touching up and adding some descriptive numerals, could have been used for filing and that the drawings he referred to in the written description provided to Palmer were the same drawings that Palmer had provided him, that after sending her his first draft, he got a retyped version back from Palmer and a telephone call on May 14 or 15, 1993, asking him to speed up the filing. He stated that she also expressed a desire to emphasize a two-part invention whereas he perceived a three-part invention emphasizing fluting to be more appropriate, but that as a result of the interchange with Palmer, he had a better idea how to write the application and what to claim. Respondent testified that he felt Palmer had a patentable invention. Using physical materials he demonstrated his understanding as to how the invention would work. (Halvonik Tr.l254-60) . He then described how he stayed up until 4:00 to 5:00 a.m. to finish her application, that he faxed the work to her, that she responded by indicating that she did not want to [54] move forward with the application, that she complained about deficiencies in his work including missing claims, that he responded that he had sent claims to her and that even though she did not want to go forward she still wanted the claims completed. Respondent testified that he thought his second draft satisfied her initial criticism, and denied that he just did a wholesale copy of what she sent him and detailed the changes he had made (referring to his highlighted portions of Exh. 41-A, Bates #803-10 and Exh. 40-B, Bates #779-89). (Halvonik Tr.1262-78). Respondent admitted that his second version of the Palmer application was not ready for filing but that what he sent her was that portion of the application he had prepared to that point. (Halvonik Tr.1275). Respondent stated that his quote to Palmer for services was a fixed fee for

drafting and filing the application and that he believed that he had explained to her that there would be a filing fee, an office action fee, and a fee for formal drawings and that Palmer had indicated that she could not afford the filing fee. (Halvonik Tr.1280). Respondent testified that Palmer told him she could not afford the filing fee at the same time she asked him to stop work and inquired about a refund. (Halvonik Tr.1281). Respondent testified that at the time she was asking for a refund he informed her that she would not receive the claims she was asking be completed and which he had already sent to her. (Halvonik Tr.1281). Respondent further testified that Palmer told him that she had taken his work to a large law firm who according to Palmer told her that Respondent's work was "terrible." In response to Palmer's written request for a refund, he testified that even before he had been contacted by an attorney representing her, he had already sent Palmer a check in the amount of $500.00 as a "fair refund" given that he felt he had earned the remaining balance and denied ever attempting to limit his liability regarding her case. (Halvonik Tr.1282-86).

On cross-examination, Respondent testified that he offered Palmer a refund but that her attorney refused his offer. He admitted that his earlier retrospective answer that he felt he should have refunded Palmer the $500.00 was reached only after the filing of this complaint against him. (Halvonik Tr.1298) Respondent further testified and described his understanding of the patent claims process. (Halvonik Tr.1307-1312). He acknowledged that Palmer's initial package (Exh. 43, Bates #831), and her subsequent package (Exh. 43A, Bates #903) to him indicated that she described a two-part alternative invention. (Halvonik Tr.1327-30)

In responses to questions from the undersigned, Respondent acknowledged that he owed a refund in the amount of $500.00 to Palmer and that Palmer had never received any portion of the $500.00. (Halvonik Tr.1291-

1296). Respondent also stated that Palmer's original proposal contemplated a three-part invention but to him her initial package was ambiguous and contradictory, particularly regarding her claim of it being waterproof because of [55] her initial intent to use Fe-liners in conjunction with her invention. (Halvonik Tr.1315). Respondent subsequently recanted and acknowledged that Palmer did not refer specifically to Feliners but that he concluded that such was what she was referring to when she described her invention as being "eventually or immediately be disposable" and that after he completed the first draft application, Palmer indicated that she wanted to claim a "preferably waterproof" invention and admitted that he had not pointed out this confusion to Palmer at the time he sent her his initial draft. (Halvonik Tr.1316-27). Respondent testified that he could not recall the time of day that Palmer had contacted him on May 19, 1993 and expressed an intent to terminate his services, that he had not planned to call her but given her call to him he did perceive a need to let her know he worked on her project, but could not explain why he did not begin sending his fax to her earlier than 4:44 p.m. (Exh. 40, Bates #814, Halvonik Tr.1364-72) He also admitted that Palmer had requested that he return her materials (Exh. 41, Bates #824) and that he never returned any materials to her. (Halvonik Tr.1421)

During redirect, Respondent testified that he had begun to renumber the drawings (Exh. 80) that Palmer had sent to him after his initial draft describing in detail the renumbering that he was doing as he was preparing the second draft for her. (Halvonik Tr.1332-34, 37-41). He further described their conversation on [May] 19, after his having been up most of the night working on her project as "[a]t first, I think, she didn't want to go ahead,. Then she said, 'I'll see what you've got, and maybe I'll go ahead." (Halvonik Tr.1334). He also admitted that he had failed to grasp the waterproof nature of the middle member of Palmer's three part invention. (Halvonik Tr.1343).

On re-cross-examination, Respondent testified that he perceived that he had communicated to Palmer the changes he was making to the figures but acknowledged that he had not sent the renumbered drawings back to Palmer by fax. (Halvonik Tr.1345-46).

On further re-direct examination, Respondent testified that he had changed his practice as a result of the Palmer/Nelson incidents and described the detailed and specific efforts including: his improved filing, a new requirement in February 1993 that inventors initial and date each page of an application being filed, keeping better records, responding to clients, explaining to clients what he is trying to do, improving in 1992 the answering system for in-coming telephone calls to include an answering service, and computerizing his application process in 1993. Respondent also testified that the initial package he mails has improved, that he expanded the time frames for getting out initial drafts, and by 1991 started sending out blue filing receipts. (Halvonik Tr.1372-74, 1423-30). He stated that a second draft should have a set of claims. (Halvonik Tr.1436). He also [56] explained what he meant by his earlier admission that he had "neglected" the Nelson matter. (Halvonik Tr.l443-45).

On further re-cross-examination, Respondent admitted that he was covered by the regulations cited in Counts Two and Three of the Complaint. (Halvonik Tr.1446-49). He admitted that an earlier answer that he had resolved certain financial difficulties in 1991 was not accurate in that the difficulties were not resolved until December 1993. (Halvonik Tr.1451-53). Further, Respondent indicated that he had some doubt as to receiving a letter from PTO's OED on August 2, 1991 (Exh. 61, Bates #1223) about a client's refund but admitted that a letter responding to PTO/OED and check to that client dated August 28, 1991, do bear his signature. (Exh. 82, Halvonik Tr.1468-70). Respondent testified that Exh. 61-E was the type of document that he sent

to clients having been contacted by them (Halvonik Tr.1755-60), and acknowledged the assurance contained in Exh. 6l-E that clients were "entitled to return of any monies" not used upon discontinuing his services. (Halvonik Tr.1760, Exh. G1-E, Bates #1241). Respondent also acknowledged that a former client had obtained a judgment against him and that the judge on that case asked Respondent how much time he had put into the case before deciding how much of the client's fee was to be returned to the client and that as a result of the client's complaint to PTO, Respondent was warned by PTO about the manner in which he managed his clients' funds. (Halvonik Tr.1775-76, Exh. 23, Bates #596). Respondent admitted that the "fixed fee" he charged Nelson and Palmer was refundable. (Halvonik Tr.l858).

On further redirect examination, Respondent testified that his client load amounted to 250-275 new client matters per year and that such numbers included trademark searches and applications, patent searches and applications, and an occasional copyright filing. (Halvonik Tr.l835-36) . Respondent described that the client that got the judgment against him was seeking a return of his entire fee but that the judge ordered slightly less than 50% of the fee returned. (Halvonik Tr.1836). Respondent described that some time after receiving Exh. 23 and reading the various ethics opinions cited therein as well as reading Pennsylvania and Missouri cases which to him appeared to be parallel, he came to the conclusion he could request fixed fee payments and deposit such payments in his general account and that he need not create special trust or escrow accounts; i.e., that he had to change nothing. (Halvonik Tr.184l-44). He further testified that after receiving Exh. 23 he changed his brochures to read "fixed fee" in bold letters. (Halvonik Tr.1843).

During cross-examination regarding the filing of the Palmer application, Respondent's expert witness, Norris, testified that where specifications are involved he normally

includes a draft drawing with the application but there were no such drawings associated with the Palmer application. (Norris Tr.676-78) [57] Norris also conceded that Palmer had initiated the proposition of her invention being changed to two tiers but that Respondent's input was to make the two-part concept the core of her invention. (Norris Tr.718-722)

On redirect examination, Norris testified further regarding the substantive input that Respondent made to the Palmer application. (Norris Tr.724-733). Norris also testified that Respondent was not sure if Palmer's reference to waterproof dealt with the litter or with the kit and that her follow-up question to Respondent as to the advisability of describing her invention as being "preferably waterproof" demonstrated that such was not the core of her invention. (Norris Tr.749-52).

In response to questions from the undersigned, Norris testified that he compared Palmer's submission with Respondent's first draft and the first draft with Respondent's second draft of the Palmer application and found that Respondent had made substantive {attorney work product type) changes. (Norris Tr.681718). Norris testified that he did not conclude that Respondent had missed the central thrust of the Palmer's invention's waterproof nature when he described the invention as being absorbent (Norris Tr.736-744), but admitted that Respondent would not have been able to file his final version of the Palmer application because he had failed to include in it a claim which made the application deficient. (Norris Tr.753-54).

DISCUSSION AND ANALYSIS

Nelson

The patent application process is in a sense an art form. It is an evolutionary process during which inventor and

patent attorney grapple with perfecting the patent application by revising it so that eventually the final application will clearly articulate the inventor's creative genius including "best mode" or preferred embodiment. Additionally, the intent of the inventor and patent attorney is to describe the invention as being unique from prior art yet describe the invention as expansively as possible in an attempt to capture the largest possible market monopoly.

While Respondent continues to deny the legal conclusions drawn by Complainant regarding Count Two, as a result of admissions made in his answer in response to the complaint or in his testimony on the stand, other than the Nelson fee issues, the Respondent does not dispute most of the facts associated with the Nelson charge. See Answer to Complaint and above recitation of testimony. [58]

With respect to the initial draft application for Nelson, Respondent disputes that it was incomplete or incorrect. He testified that the initial draft was a first or rough draft: He and both expert witnesses testified that there is an evolutionary process that takes place in terms of perfecting a patent application. As a result, initial draft applications frequently and normally require corrections! additions/deletions including changes which would include a correction of a misdescriptive disclosure. Complainant's own expert conceded that Respondent's initial draft was "satisfactory" or "fine". Given this, the factual allegation that Respondent prepared an "incomplete" and/or "incorrect" initial draft application is not valid. Therefore, Count Two's ¶¶'s 24 and 26 pejorative use of "incomplete" and "incorrect" is not found to be not proven by material and probative clear and convincing evidence.

Respondent concedes that the revised draft application was incorrect. The "revised" application was or

should have been the third iteration of the application,[51] and Respondent should have begun to make the changes that had earlier been requested by inventor Nelson through at least two separate communications. In response to Nelson's receipt of Respondent's initial draft application, Nelson had "red lined" his concerns, had retyped the draft and forwarded these to Respondent by fax. Additionally, Nelson discussed the changes with Respondent. Respondent was effectively being spoon-fed by his own client and should have grasped and made the requested changes and likewise should have included a preferred embodiment and a descriptive disclosure as charged in Count Two ¶ 31. He obviously did not.

However, there remains a further question regarding Count Two as to what was said during the last discussion that took place between Nelson and Respondent prior to Respondent filing Nelson's patent application [the basis for the charges in Count Two ¶¶ 32 and 33]. Nelson testified that he and Respondent had a telephone conversation about the October 21, 1992 draft and his AT&T toll records confirm such. While Nelson appeared to exaggerate the extent of his telephone call with Respondent that day, calling it an hour long session when his telephone bill indicates it was only 15 minutes long, I did perceive Nelson to otherwise be a forthright and credible witness who appeared to be more exasperated by Respondent than angry at him. Nelson testified that during that telephone conversation, Respondent clearly understood the changes and additions that Nelson wanted and had instructed to be made. Respondent agreed to make the changes and additions and asked Nelson to sign and send to Respondent the [59] necessary paperwork to file the application, i.e.: the Small Entity Declaration and the Patent Declaration. Respondent's request was a short cut that

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[51] Respondent's draft was the first iteration, Nelson's reconstruction of the initial draft was the second iteration, and Respondent's next version should have been a third iteration.

essentially circumvented the standard the patent application process. It is undisputed that there was a conversation that day. Respondent recalled its existence but not essence, the AT&T toll record confirms it, and Nelson remembered the content of the conversation. Additionally, Nelson did as he says he was directed the very next day and mailed the declarations that he had earlier signed. Given the foregoing and having viewed Nelson's demeanor and testimony, I did find his testimony credible.

Given that Respondent cannot recall the content of that conversation, there is no factual dispute regarding his instruction to Nelson other than Respondent's statement that the instructions attributed to him by Nelson were be contrary to his standard practice and were also contrary to the instructions that he earlier gave to Nelson.[52] Accordingly, Respondent did not contradict Nelson's version of the facts.

I do not find that Respondent's failure to recall this conversation to be a convenient lapse of memory. This finding is based on the. fact that: (1) Respondent is an attorney with a full case load who has been in contact with numerous individuals since the time of the conversation; (2) the conversation occurred over five years in the past; and (3) Respondent's inability to recall this conversation was similar to Respondent's inability to recall other conversations from the past.

However, I do find that Respondent countermanded his earlier instructions to Nelson and that by doing so, he encouraged and directed his client to circumvent the PTO rules as to when an inventor should sign the declaration. This

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[52] As a result of what happened vis a vis the Nelson application, Respondent testified that he has brought his practice into conformance with PTO's manual for practitioners, which manual serves as a guide but which instructions are not mandatory, by requiring inventors to initial and date the pages of their patent application before he files same.

direction by Respondent to Nelson is troubling in and of itself. Further, Respondent compounded the problem by negligently failing to correct the application as he had been instructed and as he had promised.

I do understand that Respondent was a relatively new practitioner who hung his shingle out with little guidance from a more seasoned practitioner. By doing so, he received significant economic benefits. According to his own testimony, Respondent's marketing strategy of undercutting his competition generated 250 [60] 275 client actions per year. Essentially, such amounts to over one action per day. This demonstrates a substantial caseload. Just as he received the economic benefits of such a caseload, he also bore the risk associated with it. The undersigned's impression is not that Respondent is an inattentive practitioner, but rather one who undertook more than he could reasonably handle and as a result his practice began to resemble that of the "little Dutch boy" running to put his finger wherever the dike was leaking. Respondent bears the ultimate responsibility for taking on more work than he could responsibly manage. His failure to do so resulted in his gross misconduct.

As a result of his lack of follow-through and failure to carefully scrutinize that which he was about to file, Respondent filed an application which did not conform to the inventor's intentions, which had been clearly expressed to him on several occasions prior to the time Nelson signed the declaration. Respondent's argument that PTO rules preclude an attorney from making any changes to an application after an inventor has signed a declaration misses the point. True, PTO rules do preclude such. However, because Respondent failed to exercise any due care, he never even recognized that he faced such a dilemma. Had he not been grossly negligent he would have revised and re-submitted the application to Nelson for his re-review. Further, Respondent's attempt to shift the blame for his actions to Nelson because Nelson wanted the application filed "ASAP" does not mitigate his

actions. First, I do not conclude that Nelson was putting any significant degree of pressure on Respondent to file the application. Further, had Nelson been applying such pressure, such does not obviate an attorney's responsibility to proofread his filings. Accordingly, I find that there is clear and convincing evidence substantiating that Respondent acted in careless disregard of the requirement that his client sign the oath after Respondent's last version. This careless disregard amounts to gross negligence and misconduct. Accordingly, I conclude that his actions in this regard substantiate wilful gross misconduct in violation of 37 C.F.R. § 10.23(a), and that such gross misconduct reflects adversely on his fitness to practice in violation of 37 C.F.R. § 10.23(b)(6). I conclude this particularly given that his client made such a valiant effort through at least three separate communications to make sure that Respondent understood and would make the appropriate changes. Respondent had several bites at the apple to make the appropriate changes, yet failed to make them. Further, as Respondent himself admitted, he did not even closely review what he was about to file with the PTO. Had he reviewed it with any degree of prudent scrutiny, as he himself admitted, he would have seen the blanks for the dimensions which would have kept him [61] from filing the draft.[53] I do not find that Respondent wilfully intended to file the draft as Nelson's final application but that he did so as a result of his gross negligence.

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[53] While the issue in the undersigned's mind was whether he had been instructed to make the changes and the circumstances around the filing, Respondent attempted to deflect the gravity of his actions by arguing that there was no harm to his client. While resolution of harm to client was unnecessary to reach a conclusion that the Respondent's actions were grossly negligent, I did not find that the client went unharmed as a result of Respondent's actions. If nothing else, the client was so exasperated by Respondent's inattentiveness in making the corrections that had been brought to his attention through at least three different communications that the client hired a new attorney which cost him an additional $2,500.00.

With respect to the charge that Respondent neglected a legal matter entrusted to him, thereby failing to act competently in violation of 37 C.F.R. § 10.77(c), I note that Respondent was not charged with violations of 37 C.F.R. § 10.77(a) or (b). Both experts and even Nelson substantiated that Respondent's actions in preparing the Nelson application were timely or responsive to the matter. Based on my interpretation that "neglect" as used in § 10.77(c) is somewhat different from negligence and is intended to insure that practitioners do in fact handle their clients matters and do so promptly and diligently, I conclude that Complainant failed to prove by clear and convincing evidence that Respondent's actions leading to the filing of the application were neglectful except regarding one specific circumstance.

While not specifically noticed as neglect in the Complaint, Respondent did neglectfully fail to timely follow-up and review the PTO file as Nelson requested to determine if the file contained the draft rather than final copy of the application and/or to make any necessary corrections. The Complaint, however, did relate the neglect charge to all of Respondent's handling of the Nelson application. While Complainant did lay out in detail its factual predicate for most of its charges, it did not do so regarding Respondent's failure to follow-up on the Nelson application. Given that this is a civil proceeding, specific fact pleading is not required. The Complaint's notice pleading charging neglect with respect to Respondent's handling of the entire Nelson application was therefore sufficient to notify Respondent that it was charging him with neglect regarding all aspects of his handling of the Nelson application. Accordingly, while grossly mishandling Nelson's application, other than failing [62] to timely follow-up, Respondent's misconduct was not an example of neglect.

Complainant also failed to carry her burden of proof with respect to the charge that Respondent by his actions engaged in conduct involving dishonesty, fraud, deceit, or

misrepresentation in violation of 37 C.F.R. § 10.23(b)(4). Complainant based this charge on the fact that Respondent informed PTO's OED that Nelson had approved and instructed him to file the "draft;" and by informing Nelson's personal attorney that Nelson had an outstanding fee balance.

There is no dispute that Nelson and Respondent discussed the Gold patent which had been granted in September 1992. Respondent testified that at his client's request he reviewed the Gold patent, thereby spending additional time and effort beyond that covered by his fixed fee. Nelson did not dispute asking Respondent to take this action and it can be reasonably argued that Nelson owed him for this time.[54] On the other hand, Respondent never mentioned to or billed Nelson for this additional time. Nor did he mention this additional effort to PTO when it was investigating him shortly after the time he reviewed the Gold patent. Respondent's lack of a regularized billing process could explain why no bill was generated. Given the existence of the Gold patent (about which Nelson confirmed he was concerned) and given that there is no dispute that Nelson had discussed such and had asked Respondent to review it, and given Nelson's failure to dispute that Respondent spent

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[54] There is an open question as to whether Respondent before filing the Nelson application should have known of or been aware of the Gold patent. The Gold patent was granted in September 1992 nearly a month before Respondent filed the Nelson application. The relevance of this issue only arises because Respondent has claimed that Nelson's request that he conduct additional review and research regarding the Gold patent was a request for additional work beyond the scope of his fixed fee. There is no record evidence as to whether Respondent should have known about the Gold patent and therefore addressed it before filing the Nelson patent including whether or not a PTO regulatory time lag exists between the granting of patents and public knowledge of same. If no such delay, then perhaps Respondent should have reviewed the Gold patent prior to filing Nelson's application and if so, such review would appear to be within the scope of duties covered by Respondent's fixed fee.

additional time reviewing the Gold patent which service was arguably beyond the normal application and follow-up covered by Respondent's fixed fee billing [63] Complainant failed to demonstrate by clear and convincing evidence that Respondent's statement that Nelson had an outstanding fee balance was the product of wilful deceit, fraud, dishonesty or misrepresentation.

Complainant asserts that by telling PTO and its OED that Nelson had approved the filing of the draft and instructed Respondent to file the draft, Respondent was deceitful, fraudulent, dishonest or making a misrepresentation. The charge that Respondent misrepresented Nelson's approval falls short of clear and convincing proof. Certainly, Nelson has testified that he did not approve the filing of the draft and that he expected that Respondent would comply with his instructions to correct the application before filing it. However, Respondent's Statement under Rule 56 to the PTO stated that Nelson had given him instructions to file but did not state that Nelson had approved the final draft. Complainant failed to note the important distinction that Respondent has consistently articulated throughout this process; i.e. that he assumed that Nelson had approved the last draft when he filed the application (Exh. 32, Bates #685, Exh. 34, Bates #692). Complainant provided no proof to the contrary. Complainant did not charge Respondent with deceit in making this assumption. Accordingly, since Respondent never stated that Nelson approved the final draft as Complainant charged, it is axiomatic that the charge has no basis in fact. Further, the above articulated assumption expressed by Respondent was part of the very basis for the undersigned's conclusion that Respondent's actions amounted to gross negligent misconduct. Accordingly, Complainant failed to demonstrate by clear and convincing evidence that Respondent's statement that Nelson had approved the filing of the draft application was the product of wilful deceit, fraud, dishonesty or misrepresentation.

Complainant also argues that Respondent was dishonest by stating that "Nelson executed the application oath after reading the October 21, 1992 draft application and mailed the 'oath back with instructions to file'." Complainant Reply Memo at 8. Indeed, Respondent's Statement under Rule 56, when taken out of context, might be considered misleading in that it appears to indicate that Nelson had approved the first application that was filed, which is clearly not true. It is not misleading when read in total context. Further, Nelson himself testified that in fact he did execute the oath after reading the October 21 draft, expecting that Respondent would make the promised corrections and additions. Contrary to Complainant's argument, Nelson did not deny giving Respondent instructions to file, he only denied that his note of October 12, 1992, was not such an instruction. Nelson very clearly wanted Respondent to file; Nelson simply expected [64] Respondent to file the corrected copy. Nelson's October 12, 1992 note expresses his desire to do so as soon as possible ("ASAP"). While he also stated that he never asked Respondent to "hurry up" the application, he also admitted that he never recanted with Respondent his desire to file "ASAP." The problem with Complainant's argument is that it is premised on the fact that Nelson did not instruct Respondent to file an application. As discussed above, that was not the situation here. There is no doubt that Nelson expected and directed that Respondent would file the corrected draft.

Complainant argues that Respondent made contradictory statements as to the existence of instructions to file as well as how he received such instructions. These statements Complainant argues are clear and convincing evidence of deceit, fraud, dishonesty, or misrepresentation. In response to PTO's interrogatories, Respondent stated that Nelson signed the declaration "with instruction to file ASAP... I recall instructions to file ASAP from a phone conversation at this time." On the other hand, Respondent testified that the instructions to file were included in a note

that came in the overnight package with Nelson's signed declaration. The note to file "ASAP" was never produced during PTO's investigation nor the hearing.

First, it is without doubt that Nelson wanted to have his application filed. Nelson did not testify that he never gave Respondent instructions to file. Without such, there can be no clear and convincing proof of deceit as to the lack of Nelson instructions to file in general. With respect to the lack of instructions to file the uncorrected application, there is no dispute. Nelson very clearly never gave such instructions. Respondent does not dispute such since he cannot recall the conversation and admits that he mistakenly filed the incorrect version of the application. However, the evidence clearly and convincingly demonstrates that Nelson expected Respondent to file the corrected version. Certainly, Respondent's current inability to recall that conversation as juxtaposed with his previous ability to apparently remember that same conversation when discussing it with PTO was fertile ground for cross-examination. Complainant never raised or pierced this contradiction. The passage of time would hardly seem to dim the light of memory of so important a conversation. However, without vigorous cross-examination, because Respondent was fairly forthcoming and seemed consistently to have problems recalling conversations, the undersigned had little if any basis to assess Respondent's thinking back at the time when he made the statements to PTO and accordingly, Complainant's evidence fell short of being clear and convincing. [65]

With respect to the charge that Nelson had never given any instructions to file the corrected application, it is clear that Nelson agreed to the scheme to circumvent PTO rules, Second, Nelson never denied instructing Respondent to file, he only denied instructing him to file the October 21, 1992 draft. Nelson had also earlier expressed to Respondent his desire to file "ASAP" which he admitted he had not recanted. The note's "ASAP" terminology was repeated by

Respondent in his answer to interrogatories and his testimony. Nelson testified that his expression of desire was not an instruction to file. Nevertheless, his agreement to the scheme to circumvent PTO rules and his signature on the declaration, while perhaps not instructions to file, are certainly indicia of an expectation that a filing would be made. While Respondent admitted charge 38, Nelson never was asked about this specific instruction. Accordingly, while there is indeed some evidence to conclude that Nelson never gave the instruction and that Respondent was aware of the lack of such instruction when he responded to PTO, while the quantum of proof here was tipped more toward Complainant's case, such proof nevertheless fell short of being a clear and convincing substantiation of deceit, fraud, dishonesty or misrepresentation in Respondent's statements regarding Nelson's instructions to file.

Finally, while not charging Respondent with such, Complainant relies upon Respondent's Rule 56 filing as another example of Respondent's pattern of misrepresentation because Respondent labeled himself as "Attorney for applicant." Complainant's continual reliance on this disputable fact undercuts Complainant's argument. The facts clearly show that Nelson fired Respondent before Respondent filed the Rule 56 statement. However, Complainant provided no evidence that Respondent had received PTO's approval of his request to withdraw as attorney for applicant. There can be no doubt that he remained "attorney of record" with PTO for the application even after he was fired. Both experts and Respondent testified that PTO rules place a continuing duty on PTO practitioners to protect the PTO record. It is certainly arguable that he remained in his own mind "attorney for applicant" until his withdrawal was approved by PTO. His withdrawal is no different from when a client changes legal counsel requiring that the former legal counsel seek leave of court to withdraw. Withdrawal is not effective until approved by the forum before which the legal counsel initially sought

and obtained appearance. Perhaps, Respondent could have, more appropriately, referred to himself as attorney of record but having done otherwise is certainly not proof of deceit. What if PTO had refused to grant the withdrawal and Respondent had filed as "attorney of record"; would PTO now be accusing Respondent of [66] deceit because he filed as "attorney of record" rather than as "attorney for applicant"?

Complainant also charged that Respondent attempted to limit his liability to a client for his or her personal malpractice in violation of 37 C.F.R. § 10.78, charging that as part of his efforts to settle with Nelson, Respondent required that Nelson agree not to pursue other damages. Respondent disputed that he made such a requirement as part of his proposed settlement with Nelson. As noted by Respondent, the complaint charges Respondent with asking Nelson not to pursue other "damages." Clearly the charge as drafted does not allege a violation of the regulations cited. Irrespective of the improperly drawn nature of the charges, Nelson testified that Respondent indicated that he [Respondent] "wished" that Nelson not report him. From such, Nelson himself concluded that Respondent's wish was a required part of the settlement. Respondent denied that he intended that Nelson agree such as part of the settlement.

As a PTO practitioner, Respondent understood that he was subject to its rules of practice. As such, there is no dispute that practitioners are accountable for violations of such rules. However, when there has been no warning by PTO in compliance with 558(c), clear and convincing evidence of a simple violation of the rules of practice is not sufficient; instead PTO must prove by clear and convincing evidence that the practitioner wilfully violated the rule. The evidence adduced failed to demonstrate by clear and convincing evidence that Respondent's expression of a wish was a wilful intention to limit his liability.

Finally, Complainant charged that Respondent failed to earn all of the fee he charged Nelson so that his failure to refund a portion of Nelson's money constituted a failure to promptly pay or deliver to Nelson his funds or other property in the possession of the practitioner which Nelson was entitled to receive, thereby violating 37 C.F.R. § 10.112(c)(4), and that his failure to return Nelson's funds reflected adversely on fitness to practice, thereby violating 37 C.F.R. § 10.23(b)(6) and that the failure to return funds amounted to gross misconduct, thereby violating 37 C.F.R. § 10.23(a). I find no clear and convincing evidence that Respondent wilfully violated these provisions with respect to Nelson. There is no dispute that Respondent returned to Nelson his file. The only outstanding issue is whether and to what extent Respondent should have returned Nelson's money.

Respondent did complete and file for Nelson an application. However, the application was clearly not what Nelson had ordered and Nelson was justifiably upset with Respondent's failure to [67] follow his [Nelson's] direction. However, the failure to follow' client direction does not mean that Respondent failed to provide Nelson with valuable work product. Complainant has established by clear and convincing evidence that Respondent committed gross misconduct in the filing of the application. Respondent argues that irrespective of Respondent's mishandling of the application, the resultant impact on Nelson amounted to damnum absque injuria i.e., that Nelson was not injured by such misconduct and therefore Respondent earned his entire fee. Alternatively, Respondent has argued that even if injury were established, such injury demonstrates the basis for a fee dispute which should not be the basis of a disciplinary action here.

Complainant provided no witness that stated that the patent application filed by Respondent on Nelson's behalf was without value. Clearly, Respondent's "professional" package that Nelson received and described as being helpful

in preparing his initial submission of materials to Respondent was value received by Nelson from Respondent. Nelson did pay a new attorney $2,500.00 to finish the application process. Yet, that finished product was only marginally different textually from the application filed by Respondent. Complainant's expert opined that Nelson was injured because the application Respondent filed may not withstand the test of litigation and that, in effect, Nelson's new attorney was asked to make a silk purse out of a sow's ear. Respondent in fact confirmed that his failure to' change "sealant" to "adhesive" caused Nelson's patent an increased exposure to litigation that might otherwise have been avoided. While the changes that Nelson sought as being important were never made, even by the succeeding attorney or the PTO examiner, the succeeding attorney did attempt to bridge the "sealant" versus "adhesive" gap by amending the application and noting the patent's use of a particular trade name of urethane, which hopefully attributed "adhesiveness" to the urethane described in the patent. Respondent's expert opined that Nelson was not injured and that the application could and was easily amended without loss of filing date because the changes needing to be made did not involve "new matter."

There is no doubt that Nelson eventually paid for and received from his new attorney a new improved version of the application, at least in terms of claims made. Perhaps these and the other changes might have been filed by Respondent at no cost to Nelson. Respondent appeared to have been willing to make these changes at no cost to Nelson. However, there is no dispute that Nelson's patent is weaker than it might have been had Respondent not filed the incorrect version of the application. The extent of the weakness will depend on the illusive risk and vagaries of litigation. Accordingly, there is dispute among the expert

[68] witnesses as to what if any extent Nelson suffered injury by Respondent's filing of the draft application.[55]

Complainant argues that Respondent's defense should fail because he completed no quantum meruit analysis. Were Respondent seeking fees from his client, the initial burden of such proof would be on him. Here, however, the initial burden is on Complainant. Complainant never produced evidence of any quantum meruit analysis determining that the value Respondent contributed to the application was less that the fee he charged. Complainant did attempt to argue that Respondent did not complete all of his tasks for which he was hired. Even if Respondent failed to complete all the tasks for which he was hired, such does not mean he had not earned his entire fee, especially given the additional work Respondent did for Nelson regarding the Gold patent. No quantum meruit analysis was completed by either party on this issue. Since the initial burden of proof was on Complainant, her complaint fails. Simply put, it is not clear that Respondent owed Nelson any refund. Accordingly, I conclude that such evidence does not rise to a level of being so clear and convincing as to conclude that Respondent's failure to return a portion of Nelson's funds was gross misconduct, or adversely reflected on Respondent's fitness to practice, or amounted to a failure to pay funds to which a client is entitled in violation of 37 C.F.R. § § 10.23(a), 10.23(b)(6), and 10.112(c) (4), respectively. [56]

Palmer

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[55] As noted above in Applicable Law and Regulation, the lack of client injury does not preclude sanction.

[56] The undersigned hastens to add that such a finding does not mean that the undersigned also concludes that no refund of funds is due Nelson; only that the evidence was not clear and convincing. In a fee dispute, the evidence necessary to support a refund would only be a preponderance of the evidence. The amount of refund may, however, be de minimis

With respect to the factual dispute that Palmer hired Respondent to evaluate her invention, I conclude that Palmer hired Respondent to evaluate her invention as part of her request that he prepare a patent application for her invention.

With respect to the factual dispute as to whether the initial draft application prepared by Respondent was incomplete, I do not find that the draft was incomplete for failing to include [69]

drawings. There is no requirement that a patent application contain drawings. That does not mean that drawings would not have been helpful for Palmer to better understand what Respondent was proposing. But, clearly, there was no meeting of the minds between Palmer and Respondent as to who was to be responsible for preparing drawings.

I do find, however, that the initial draft was incomplete in that it only contained a set of claims and failed to otherwise contain anything resembling an application including the reference letters or numerals. Reference letters and numerals are required as part of a final application and without such, an understanding of the Palmer invention would be difficult at best. Respondent correctly points out that there are no PTO established standards for what constitutes an acceptable initial draft of an application. As discussed in more detail below, where a fixed fee is involved, the learning curve for inventor and practitioner determine the quality of the draft.

While there is indeed no PTO template for an acceptable initial draft, Respondent and all experts agreed that Respondent's initial draft application for Nelson met the test of being an acceptable first draft. Accordingly, the undersigned used it as a template for reviewing the initial Palmer draft. Respondent's initial Palmer draft application by comparison was obviously substantively lacking in that it only contained a set of claims and nothing else. The lack of

much of an application clearly explains in part Palmer's own confusion as to what Respondent was trying to achieve on her behalf. Respondent was responsible for this poor communication because not only did he fail to include much of anything resembling an application including the requisite numerals/letters, he also failed to include a cover letter explaining why he drafted the claims using the language he did. Further, as Respondent himself admitted, he missed the essential feature of the third/middle member of her invention and was inaccurate in his perception of the waterproof nature of the other member parts to her invention. Be that as it may, as described in the Nelson section, the refining of a patent application is an imperfect science and initial drafts frequently and usually do require correction. As noted above, there are indeed learning curves associated with the preparation of each patent application, including the curve associated with the patent attorney's understanding. The beauty of a fixed fee from an inventor's standpoint is that if the attorney's learning curve is not steep, the time necessary to finalize the application comes out of the attorney's pocket. Where time is of the essence because of a constraint or exigency, the fact that the time is coming out of the patent attorney's pocket may be of little or no comfort to the [70] inventor. Respondent's failure to produce much of anything impaired his own and his inventor's ability to perfect the application. Unfortunately, but understandably given his small amount of effort, Palmer was legitimately frustrated by Respondent's failure to grasp her invention.

With respect to the factual dispute as to whether Respondent's revision to the application was "incomplete and incorrect" because of his failure to include a set of claims, I find that Respondent did not include a set of claims, an essential step, in the revised application. Respondent contends that he did not intend the revision to be a complete application but only sufficient to signify recent work by him. If the revision was intended to only appease his client by showing recent work, one understands why their attorney-

client relationship was deteriorating. Further, had Respondent's initial set of claims been more on target regarding Palmer's invention, a repeated enclosure of such claims would not have been necessary and the charge that Respondent's revision was incomplete and incorrect would be without a factual basis. But, here, where Respondent was so far off-base in his initial attempt at drafting claims, the failure to include a new improved set of claims was critical. Given that claims are essential to making an application complete, it is axiomatic that the lack of same make the revision incomplete and incorrect. At trial, Respondent went beyond such a defense and testified that he was not going to provide Palmer a set of claims if she was not going to pursue her application and wanted a refund. If, as he testified, he was up all night completing the Palmer application, any consideration of her proposed actions was impossible given that he was not yet aware of them. The revision, if prepared even before he spoke to Palmer, would have been deficient for failing to include a set of claims. Respondent attempted to explain away his problem with Palmer by describing her as being difficult to work with. If Palmer were so problematic for him, he should have returned her money and ceased his efforts.

The factual allegation that the revision was incomplete and incorrect because it failed to include drawings is groundless. Given that no final application is required to have drawings, the lack of drawings in an intermediate step leading to final application is of little import. In addition to the mere fact that no drawings are required, there seems little basis to charge Respondent for failing to send back to Palmer that which she sent to him, particularly since Respondent found them to be adequate after slight revision. Clearly, such assumes that Palmer kept a copy of what she mailed to Respondent. Respondent could have cleared the air on this point by informing her of his intent and [71] by inquiring of Palmer as to whether she had retained copies of the drawings she had provided him. He did neither. Again, Respondent's failure to

adequately communicate with his client contributed to the breaking of the fabric of their attorney-client relationship.

The revision, like its predecessor, was again deficient in failing to refer to the different parts of the invention by numerals/letters. Further, Respondent failed to include in the specification's detailed description the appropriate numbers for the figures being cited. Without such, Palmer's confusion is again understandable. However, there is no set prototype for an acceptable revision. Whereas the initial draft of Palmer's application, when compared with the Nelson initial draft, was clearly and convincingly deficient, the same cannot be said when comparing the Palmer revision to the Nelson revision. Therefore, Complainant did not demonstrate by clear and convincing evidence that the revision even with all its failings reached a threshold of being gross misconduct or reflecting adversely on Respondent's fitness to practice.

Regarding Palmer's termination of their relationship, the record substantiates that on May 19, 1992, Palmer indicated her intent to terminate Respondent and to seek the return of a "major portion" of the fee she had paid him. After his entreaties that he had been up all night and had work product for her to review, only then she did relent and agree to termination pending her review of the work product. I find that she remained dissatisfied and sent Respondent a termination letter the next day, confirming the prior day's conversation between them. Palmer also requested refund of her entire fee rather than only a major portion of it. Accordingly, she did "again" request a refund when she wrote to Respondent.

Respondent disputes the charge that on June 12, 1993, Palmer "again" requested that Respondent return her materials, contending that this was only her first request for her materials. I find no support for the charge that Palmer had earlier requested her materials.

Regarding the factual charges listed at Nos. 64, 65 and 66 of the complaint, which facts Respondent disputes, such charges will be resolved as part of charge 67.a.-e.

Complainant charged that Respondent's failure to return to Palmer her disclosure material and money constituted gross misconduct, adversely reflected on his fitness to practice, and constituted a failure to promptly pay or deliver to the client as [72]

requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive, thereby violating 37 C.F.R. § 10.23(a) and (b)(6),and 10.112(c) (4), respectively. I find clear and convincing evidence that Respondent wilfully violated these rules. I find that there is clear and convincing evidence that his failure to return the $500.00 [which he knew should be returned] adversely reflected on his fitness to practice. I also find that this single instance amounts to gross misconduct particularly in light of his having been previously advised regarding his questionable management of client funds. His refund of another client's fees only after being contacted by PTO was enlightening. Respondent clearly had a practice of retaining funds that even he knew should be returned to his clients, but that he only returned when faced with PTO pressure. Such is gross misconduct.

Contrary to Respondent's efforts to cast this issue as being a charge that Respondent wrongfully deposited client fees in his own general account rather than in a trust or client account. I find no basis for this coloration of the § 10.112(c)(4) issue before me. The complaint never raised any matter regarding the type of account which Respondent used to deposit funds received from his clients. Had such an allegation been charged, it would have been more likely cited as a 37 C.F.R. § 10.112 (a) and (b) (2) violations. Accordingly, there is no need to resolve the jurisdictional conflict that may be faced by Sperry practitioners involving PTO's rules of practice and, their state bar associations

regarding the type of accounts in which practitioners are required to deposit funds received from their clients.

Additionally, Respondent has argued that the Complainant's charges are nothing more than a fee dispute which should be of no interest to Complainant. Respondent's argument is quite incorrect. By establishing the opportunity for Sperry practitioners to engage clients throughout the entire United States, PTO has the concomitant responsibility to regulate that which it creates. While PTO has no rule that provides for it to order practitioners to return to their clients any unearned fees, such does not mean that PTO is without interest in or authority to review a practitioner's fee dispute(s). To the contrary and based on the policy noted above, I conclude that such is exactly what is required if an AU is to review charges associated with 37 C.F.R. § 10.112(c) (4). When a state bar association has not taken action regarding a fee dispute involving a PTO practitioner, such inaction does not obviate or preclude the PTO from reviewing those same facts and circumstances for purposes of enforcing its own rules of practice. [73] There is no dispute that Respondent failed to return Palmer's money. Respondent himself admitted that Palmer deserved a return of at least $500.00 of the fee that she had paid him. As a result of Respondent's admission [which was corroborated by Respondent's sending her a check in that same amount], his failure to return the $500.00 was a violation of 37 C.F.R. § 10.112(c) (4). Complainant must also show, however, that the violation was wilful in nature. Clearly, Palmer had requested that Respondent refund her entire amount. She even refused to accept his $500.00 check. Respondent then stopped payment on this check. From such, the undersigned concludes that there is clear and convincing record evidence that Respondent wilfully failed to return the $500.00 that he knew belonged to Palmer. With respect to the remaining balance that Nelson was due, there is not clear and convincing evidence that he wilfully failed to return to Palmer monies that she was due.

Likewise, I conclude that the evidence clearly and convincingly substantiates that he wilfully failed to return Palmer's disclosure materials. Having observed Respondent on the stand regarding this and other testimony, I concluded that Respondent's-confusion regarding the whereabouts of Palmer's materials was related to his being disorganized and his practice being overloaded. While inuring against a wilful violation, there is no excuse for his failure to return his client's materials, even if such caused her no harm.

I do not conclude that Complainant demonstrated by clear and convincing evidence that Palmer was precluded from pursuing her invention because of Respondent's failure to return her materials. As Respondent demonstrated on the stand, the materials used by Palmer in creating her invention were common, everyday household materials which Palmer could easily replicate. Complainant never challenged this demonstration or assertion.

With respect to the charges that he inadequately prepared and failed to act competently and neglected a legal matter entrusted to him, thereby violating 37 C.F.R. § § 10.77 (b) and (c), respectively, when he prepared incomplete and incorrect applications on Palmers behalf, I find no clear and convincing evidence of wilful violation of 10.77(c). As analyzed earlier vis a vis the parallel Nelson charge, the charge here that he neglected a legal matter entrusted to him is devoid of evidentiary foundation; there is simply no evidence in the record whatsoever that he failed to act with appropriate dispatch regarding the Palmer application. [74]

With respect to the charge that he handled the Palmer application without adequate preparation, thereby failing to act competently, I find that there is clear and convincing proof of a wilful violation of 10.77(b) with respect to the initial draft he prepared for Palmer, but not with respect to the revision. As discussed above, Respondent's submission of a set of claims as a first draft application was a marginal effort on his part and demonstrated a lack of adequate

preparation and/or effort when compared with his Nelson template. Even then, the minimal set of claims were not responsive to the disclosure provided him by his client, which he himself admitted.

His revision, however, was a step forward. As discussed above, it did contain a more substantive effort on his part, contrary to Palmer's assertion that he had merely regurgitated to her what she had provided him. The revision, while a step forward, nevertheless contained only a brief description of the invention which failed to refer to the application's different views of the invention by specifying the numbers of the figures and failed to refer to other parts of the invention by use of reference numbers and numerals. The undersigned accepts Respondent's position that the revision was not intended as a final application. The undersigned does understand the evolutionary process of application creation; however, by the revision stage it ought to begin to conform to the basics required in an application, such as appropriate reference designations. But, as discussed above, there is no PTO standard for a revised application and his revision efforts for Palmer were not so distinctive from his efforts for Nelson. Accordingly, I do not find that he inadequately prepared for or prepared the revision.[57] [75]

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[57] I note my conclusion that he did not begin to work on the revision until after Palmer had called him. Palmer's inquiry as to the status of her application did not necessarily mean that Respondent was neglecting it. However, apparently, Respondent was concerned about such and falsely told his client he had been up all night. Palmer stated that she did not believe his statement at that time. His testimony reiterating this fact was less than credible. It stretches credulity that someone would spend all night working on a project and then wait until late afternoon to fax it to a client, particularly a client who was expressing such strong dissatisfaction, who was pressing for immediate product and was threatening to terminate the relationship. Corroborating this conclusion was Respondent's own testimony that he was sending only that part of the application he had completed. Palmer very clearly (... continued) testified that Respondent had told her he had been up all night and had completed

FORMAL FINDINGS OF FACT

In addition to the stipulated material facts and admissions noted above, which are incorporated herein as part of these findings of facts, the undersigned finds that:

General Findings

1. Respondent was registered to practice patent matters before the PTO in December, 1987. (1lalvonik Tr.963)

2. In March, 1990, Respondent mailed two general information brochures to two different clients, Marcon and Brown. (Exh. 2, Bates #303-312) , (Exh. 61-E, Bates #1234-43)

3. Page 7 of the brochure states in part: "You are entitled to the return of any monies I have not used if you wish to discontinue my employment at any time." (Exh. 2, Bates #310), (Exh. 61-E, Bates #1241)

In a letter dated November 4, 1992, PTO informed Respondent that failure to place funds from a client for a fixed fee patent application in a trust account and failure to deliver to a client funds to which the client is entitled can warrant disciplinary action under 37 C.F.R. § 10.112(a) and (c) (4). (Exh. 23, Bates #597-98) [76]

Findings Regarding Count Two (Nelson)

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the revision. Finally, Respondent himself testified that he did not include claims in the revision because his client had told him that she did not intend to go forward. In order for Respondent to make this decision, he had to have been working on the revision after Palmer spoke to him. Accordingly, the undersigned concludes that Respondent, after getting the call from Palmer, scrambled to prepare the revision. Given that the undersigned has concluded that Respondent did not act neglectfully, Respondent could have taken his time. Had he taken more time, he may have completed an even better revision. This is a perfect example of how a practitioner's problems can compound themselves, creating additional problems where none should have existed in the first place.

1. Exhibit 69 is a certified copy of the specification and claims filed in application 07/968,355.

2. On or about September 16, 1992, Respondent requested that Nelson send the $500.00 balance and Respondent acted surprised when Nelson stated that he had not received a draft. (Exh. 24, Bates #600), (Nelson Tr.18, 19, 119).

3. The type-written material in Exhibit 69 represents what Respondent filed on October 29, 1992, for Nelson, the inventor.

4. Exhibit 24-K contains a non-certified copy of the specification (Bates #643-49), claims (Bates #650), drawings (Bates #654-656), transmittal letter (Bates #642), small entity status form (Bates #651) and declaration (Bates #652-53) that Respondent filed on October 29, 1992, for Nelson, the inventor.

5. Figures 5-7 in Exhibit 24-K at Bates #656 assist in explaining the Nelson invention.

6. Exhibit 24-C, Bates #604-09, contains the October 8, 1992, draft that Respondent faxed to Nelson, with Nelson's hand-written comments made after receipt. (Nelson Tr.23)

7. The October 8, 1992, draft that Respondent sent to Nelson contained several errors or omissions. (Exh. 24-C, Bates #604-09)

a. The term "sealant" was used throughout the October 8, 1992, draft rather than the term "adhesive." (Exh. 24-C, Bates #604-09) (Nelson Tr.24-25)

b. The preferred dimensions of the molding strip contained blank areas for numerical figures to be inserted. (Exh. 24-C, Bates #608)

c. The draft contained a sentence and a sentence clause discussing that the foam dam would be removed after the urethane has cured. (Exh. 24-C, Bates #608)

8. The inventor perceived that using the term "sealant" rather than "adhesive" did not properly describe his invention. He stated that the adhesive functioned as a structural component of the automobile, bonding the glass to the metal pinchweld, thus incorporating the glass into the overall eggshell structure of the vehicle. (Nelson Tr.24-25) [77]

9. Nelson asked that the "foam dam removal" language be removed because the foam dam cannot be removed once the adhesive has cured bonding the glass window to the pinchweld. (Nelson Tr.37-38, 4243, 52-53)

10. Subsequent to Nelson receiving the October 8, 1992, draft, Nelson communicated with Respondent by telephone and by facsimile and suggested changes necessary to be made to the October 8, 1992, draft. (Nelson Tr.26-27), (Exh. 24, Bates #600), (Exh. 32, Bates #684, &6), (Exh. 79, at 3), (Halvonik Tr.1055-56)

11. The typewritten matter in Exhibit 78, R0024-25, contains information that Nelson sent via facsimile to Respondent on October 8, 1992. (Halvonik Tr.1205-06), (Exh. 34, Bates #692, 715-18). [The handwritten information contained in Exhibit 78 is not admitted and not relied upon in making this ruling.)

12. Exhibit 34, Bates #708-14, contains information that Nelson sent via facsimile to Respondent on October 12, 1992. Only Bates #708 and 714 are admitted; the remaining pages 709-13 are not admitted and are not relied upon in making this ruling. (Nelson Tr.33-34), (Exh. 34, Bates #692), (Halvonik Tr.1066)

13. On October 14, 1992, Nelson sent a facsimile to Respondent stating that he [Nelson] wanted the following changes made to the draft: (i) "sealant" changed to "adhesive" (ii) the addition of dimensions and (iii) deletion of the language concerning removal of the foam dam. (Exh. 34, Bates #703-07)

14. The handwriting stating "change sealant to adhesive" on Exhibit 34, Bates #704 is Respondent's handwriting. (Halvonik Tr.1049-50)

15. Respondent admits that he knew Nelson wanted the term "sealant" changed to "adhesive," but that he did not make the requested change. (Halvonik Tr.1064, 1080, 1102, 1155)

16. Respondent admits that the missing dimensions were communicated to him. (Halvonik Tr.1058), (Exh. 34, Bates #692, ¶30)

17. Respondent's cover letter accompanying the October 21, 1992, draft stated in full: "Here is what I have so for the trim moulding. The only ting [sic] that I wanted to add was the specific dimensions of the strip, e.g. height and width, and the size of the fingers etc."(Exh. 24-D, Bates #610). [78]

18. Respondent did not intend for the October 21, 1992, draft to be a final draft that was ready to be filed as a patent application. Rather, Respondent expected Nelson to have additional input or comments. (Halvonik Tr.1074-75, 1077, 1129, 1155)

19. The October 21, 1992, draft contained errors that Nelson had previously discussed with Respondent that should have been changed. (Exh. 24-D, Bates #610-21), (Nelson Tr.37, 46), (Exh. 24, Bates #600)

a. The term "sealant" was used rather than "adhesive" in the October 21, 1992, draft. (Nelson Tr.37, 46)

b. The space for dimensions of the preferred size was still blank and the sentence concerning removal of the foam dam was still in the draft. (Nelson Tr.37-38)

c. The disclosure in the October 21, 1992, draft was misdescriptive. (Halvonik Tr. 1156)

20. Subsequent to receiving the October 21, 1992, draft, Nelson spoke via telephone with Respondent. (Nelson Tr.44-

45), (Halvonik Tr.1157), (Exh. 32, Bates #684, &8), (Exh. 79, at 4), (Exh. 24, Bates #600), (Exh. 31, Bates #675)

21. Nelson's handwritten notations on Exhibit 24-D were communicated to Respondent. (Nelson Tr.45-46, 64), (Exh. 31, Bates #675-76)

22. Nelson and Respondent discussed the October 21, 1992, draft page-by-page, line-by-line to insure that all of Nelson's requested changes would be made in the final version. (Nelson Tr.125), (Exh. 31, Bates #675).

23. Respondent informed Nelson that he would make all the requested changes before submitting a final version of the patent application to the Patent and Trademark Office. (Nelson Tr.44-45, 47, 71, 132, 135, 139-40, 146, 147-48) , (Exh. 31, Bates #675-76)

24. Respondent's testimony does not contradict Nelson's testimony concerning Respondent's assurances that changes would be made to the October 21, 1992, draft prior to that draft being filed. (Halvonik Tr.1157)

25. Respondent instructed Nelson to sign the declaration for the patent application, assuring Nelson that the changes would be made [79] prior to the filing of the application. (Nelson Tr.47, 71, 81, 132, 134, 138-40, 147) , (Exh. 31, Bates #675 &3)

26. On or about October 22, 1992, Nelson sent via overnight delivery to Respondent the signed Small Entity Declaration and Patent Declaration plus the $355.00. (Exh. 24, Bates#600), (Halvonik Tr.1088)

27. Nelson did not instruct Respondent to file the October 21, 1992, draft as his patent application. (Nelson Tr.47, 83-84), (Exh. 31, Bates #676, ¶1)

28. The October 21, 1992, filing contained the errors that were previously brought to the attention of Respondent. (Halvonik Tr.1137, 1158-59)

29. After the filing of the patent application, Nelson received from Respondent a copy of the October 21, 1992, draft which Respondent indicated was the version that was filed with the PTO. (Exh. 24, Bates #601)

30. Nelson telephoned Respondent on November 3, 13, and December 9, 1992, to ask Respondent to determine which version was actually filed. (Exh. 24, Bates #601), (Halvonik Tr.1104), (Exh. 79)

31. Respondent received the filing receipt for the patent application in December 1992. (Exh. 27, Bates #664), (Halvonik Tr.1179)

32. Nelson made six subsequent calls to Respondent to ask him whether he had determined what was filed with the PTO and/or discuss the Gold patent. (Nelson Tr.47-50), (Exh. 24, Bates #601) , (Exh. 31, Bates #625) , (Exh. 79)

33. Even though Respondent had the filing receipt which contained the application serial number in December 1992, he did not review the application file until late January 1993 to determine which version of the drafts was filed. (Halvonik Tr.1124)

34. Respondent's explanation (Halvonik Tr.1124) for the delay in reviewing the patent application at the PTO is contradicted by both parties' experts: (i) Norris, a patent expert for Respondent, testified that with a serial number, a patent practitioner could go to the PTO and review the application file. (Norris Tr.666) Norris also testified that in a situation such as Nelson's application, where the patent practitioner was not sure what version of the applicatio[illegible]as actually filed, he would try to resolve the issue "as swiftly" as he could and that he would not [80] wait until the first office action by the PTO to resolve the issue. (Norris Tr.667-670); (ii) Karasek, Complainant's expert, testified that once the practitioner had the filing receipt, the practitioner "would move immediately," within a day or two to review the application file. (Karasek Tr.1560-61) [80]

35. In February 1993, when Respondent informed Nelson that the October 21, 1992, draft was filed, he admitted to Nelson that he had "screwed-up" and in a subsequent letter dated February 5, 1993, Respondent offered to refund to Nelson $1,355.00, representing Nelson's out-of pocket costs, but did not include a check for that amount. (Halvonik Tr.1138, 1141), (Exhs. 31-A, 24, Bates #601)

36. Subsequent to filing the patent application, Nelson could not have added numerical data to fill in the blanks for the dimensions in the patent specification because such an addition would have added new matter to the application which is prohibited by 35 U.S.C. § 132. (Norris Tr.602-03), (Karasek Tr.1502-03)

37. Subsequent to filing the patent application, Nelson could not have deleted' the sentences discussing the "removal of the foam dam," because such a deletion would have constituted new matter by deletion as prohibited by 35 U.S.C. § 132. (Karasek Tr.1512-13).

38. Subsequent to filing the patent application, Nelson could not have amended the patent application by changing the term "sealant" to the term "adhesive" without facing the risk of a new matter rejection pursuant to 35 U.S.C. § 132. (Karasek Tr.1508), (Norris Tr. 64 0-41)

39. "Sealant" and "adhesive" are not synonymous. An adhesive is a material that binds two things together, whereas a sealant is a material or object that keeps one substance away from another substance. (Karasek Tr.1510), (Norris Tr.642-43). The failure to clarify the properties of the invention exposes the invention to potential litigation.

40. Norris's testimony (Tr.639) that both terms, "sealant" and "adhesive" were used in the application and the issued patent oversimplifies the issue. The only mention of urethane adhesive used in the application, and hence the issued patent No. 5,343,662, relates to the description of figure 7 which states "Third step adhering windshield to strip with urethane

adhesive." (col.2, 1.40-41). Figure 7 merely shows the window being adhered to the F strip, not the window being bonded to the pinchweld with adhesive. (col.3, 1. 8-13), (Exh. 72, U.S. Pat. No. 5,343,662). [81]

41. The failure to include the dimensions of the F strip in the patent application raises a question and potential litigation as to a best mode contemplated by the inventor for carrying out his invention (35 U.S.C. § 112) and whether such is contained in the application. (Karasek Tr.1500, 1504, 1587-87)

42. Nelson believed that the dimensions of the F strip were important. (Nelson Tr.26, 154, 158), (Exhs. 34, 704, 707).

43. Norris testified critical to Nelson's (Tr.612) that the dimensions were not invention.

44. Halvonik admitted that he had not done the work his client had instructed him to do. (Halvonik Tr.1137)

45. Halvonik admitted that he filed the patent application "without correcting errors that were brought to [his] attention earlier" in the drafting stages. (Halvonik Tr.1158-59)

46. Complainant provided no clear and convincing evidence that Nelson suffered any injury regarding his patent as a result of Respondent's "screw-up".

47. Nelson discharged Respondent on February 5, 1993. (Exh. 24-E, Bates #622)

48. On February 24, 1993, Respondent filed a document with the PTO concerning Nelson's patent application which stated: "The applicant executed the oath after reading the older draft, signed and dated it 10/22/92 and mailed the oath back with instructions to file." (Exh. 24-I, Bates #638)

49. On September 8, 1993, OED sent Respondent a letter entitled "Second Requirement for Information."(Exh. 29).

50. Interrogatory 12 of the September 8, 1993, letter stated: "Explain why on or about October 28, 1992, you filed or caused to be filed in the Patent and Trademark Office a draft instead of a final version of the application without correction of all the errors that you and Nelson agreed had to be deleted from the draft."(Exh. 29, Bates #669).

51. On October 8, 1993, Respondent responded to OED's September 8, 1993, letter, stating: "Nelson sent back the patent oath already signed with instructions to file ASAP. I believe this was by overnight mail. I recall instructions to file ASAP from a phone conversation at this time. Since he had signed the draft I assumed he approved of the last draft that we had sent him on [82]

10/21 and that he desired that oath to be attached to that draft." (Exh. 32, Bates #685 &12)

52. On December 23, 1993, OED sent Respondent a letter entitled "Third Requirement for Information" in which interrogatory 28 of the December 23, 1993, letter states: "Explain what 'instructions to file' you received in the mail. Provide a copy of the instructions."(Exh. 33, Bates #690 &28).

53. On January 27, 1992, Respondent responded to OED's December 23, 1993, letter, stating in part: "I did not say that he sent the instructions to file in the mail. I said he mailed back the oath with instructions to file. He informed me of this wish orally over the phone at least once." (Exh. 34, Bates #692)

54. Nelson did not instruct Respondent to file the October 21, 1992, draft as his patent application. (Nelson Tr.47, 83-84), (Exh. 31, Bates #676 ¶11)

55. On September 8, 1993, OED asked Respondent to explain what outstanding bill Nelson had with Respondent at the time Respondent represented to Roseman that an outstanding bill existed. (Exh. 29, Bates #670 ¶22)

56. On October 8, 1993, Respondent responded to OED's inquiry, stating: "I told Ms. Roseman that there might be balance [sic] due in the case due to the time I had spent running around looking for the case and that I might hold the case pending payment. I don't believe I informed Nelson of this." (Exh. 32, Bates #685 ¶22)

57. Consistent with his infrequent billing practice, Respondent never sent Nelson a bill or invoice for additional fees. (Nelson Tr.76), (Halvonik Tr.1182-83) , (Exh. 24, Bates #601).

58. Respondent never informed Nelson about any additional fees that were due. (Exh. 32, Bates #685 &22), (Nelson Tr.76), (Exh. 24, Bates #601)

59. In offering the settlement, Respondent did not undertake a quantum meruit analysis to determine the fees he earned. (Halvonik Tr.1167)

60. Complainant submitted no quantum meruit analysis or any other clear and convincing evidence demonstrating that Respondent had not earned the $1,000.00 fee paid him by Nelson. (Halvonik Tr. 1167) [83]

61. Nelson is not due to receive a refund of his filing fee from Respondent given that Nelson would have had to pay a filing fee directly to the PTO. 62. Respondent did not neglect the filing of Nelson's patent application.

Findings Regarding Count Three (Palmer

1. Exhibit 43 at Bates #830-914, Exhibit 35 at Bates #721 and Exhibit 35-A are the written disclosure material Palmer sent to Respondent. (Exh. 35-A, Bates #722), (Palmer Tr.257-261)

2. Palmer also submitted physical specimens with the written disclosure material. (Palmer Tr.257, 306, 365-66), (Exh. 35-A, Bates #722) , (Exh. 35, Bates #719)

3. Palmer paid Respondent $1300.00 to pare and file a patent application. (Palmer Tr.25456), (Halvonik Tr.1252), (Answer & 51) , (Exh. 35, Bates #719)

4. Palmer's disclosure materials (Exh. 43) reveal her invention.

5. Palmer's materials describe to Respondent a three-part kitty litter box with a hard, thin plastic liner that sits within an aluminum foil container which sits inside a traditional hard plastic litter box, with all three containers conforming in size and shape. The edges of the middle aluminum foil box would be fluted to fold over the other two containers, and may contain a third fluted edge to catch over-spray. (Exh. 43, Bates #898)

6. A two-part embodiment was also disclosed in Palmer's initial disclosure to Respondent. (Exh. 43, Bates #831 & #903)

7. According to the disclosure, the prior art had the following disadvantages. First, litter boxes are made of porous plastic material which absorbs liquids and odors. Odors remain even after washing. (Bates #886). Second, prior art solutions use soft plastic liners similar to trash bags, but these are prone to tears from cat claws. (Bates #886). Other methods used trays which were used until saturated. (Bates #889, 895), (Exh. 43)

8. A commercial product Feliners® is described as being flawed for being absorbent compared with Palmer's "completely nonabsorbent, waterproof liner." (Exh. 43, Bates #909)

9. The description further states "My design is the only one which utilizes completely waterproof, self-contained containers (two, in [84] fact; one being the thin hard plastic and the other, aluminum foil)." (Exh. 43, Bates #909)

10. The last page of the disclosure material contains a comparison of Palmer's invention with U.S. Pat. No. 4,171,680. (Exh. 43, Bates #914)

11. The April 27, 1993, draft did not include any figures, even though two figures were referenced in the draft. (Exh. 41, Bates #795-800), (Palmer Tr.264, 271), (Halvonik Tr.1254), (Answer &53), (Exh. 35, Bates #719)

12. Claim 1 of Respondent's April 27, 1993, draft states in relevant part:

> Animal litter box of three piece construction comprising: first member of rigid construction . . . second member of malleable material . . . said third member made of absorbent material.

Claim 2 states in full:

> The apparatus of claim 1 wherein said malleable material is aluminum foil.

Claim 3 states in full

> The apparatus of claim 2 wherein said front and back edges are of three separable layer. (Exh. 41, Bates #800)

13. The April 27, 1993, draft contained errors. (Palmer Tr.266), (Exh. 35, Bates #719)

14. The April 27, 1993, draft stated that the invention "alleviates the need for constant removal of kitty litter," (Bates #796) whereas the inventor described a system where constant maintenance of the litter box was "central and core" to the invention. (Palmer Tr.267), (Exh. 41, Bates #825)

15. The April 27, 1993, draft failed to point out that the third member was rigid and waterproof. Instead, the third member was described as "absorbent." (Bates #800), (Palmer Tr.268), (Exh. 41, Bates #825) [85]

16. The April 27, 1993, draft described the second member as malleable material (Bates #800), whereas the inventor wanted the second member to be rigid. (Exh. 41, Bates #825)

17. In claim three of the April 27, 1993, draft, the claim ends with an ellipsis. (Exh. 41, Bates #800), (Exh. 41, Bates #825), (Palmer Tr.273)

18. Having read Respondent's April 27, 1993, draft, Palmer was dissatisfied with the draft because in her opinion either Respondent had not read the disclosure material or had no concept of her invention. (Palmer Tr.267-68)

19. Palmer's dissatisfaction was justified given that Respondent's initial draft of the Palmer application did not measure up to Respondent's own nor the expert's standard for what is an acceptable first draft of an application based on Respondent's initial Nelson draft as a template for what is acceptable.

20. On May 10, 1993, Palmer sent Respondent a two page cover letter, an eight page revision of the patent application, along with eight penciled figures, which Palmer requested to be professionally redone as soon as possible. (Palmer Tr.277), (Exh. 41, Bates #801-810)

21. Palmer's May 10, 1993, letter also suggested using the invention as a two-part, rather than three-part litter box system. (Exh. 41, Bates #801)

22. Subsequent to May 10, 1993, Palmer decided not to continue with Respondent as her patent counsel because she believed he did not understand her invention. (Palmer Tr.287), (Exh. 35, Bates #719)

23. On May 19, 1993, Palmer contacted Respondent to inform him that she no longer wished to go forward with the patent application. Respondent stated that he had been up all night the previous night and that he had another draft which

he insisted on faxing to her for her review. (Palmer Tr.288-89), (Exh. 35, Bates #719)

24. On May 19, 1993, at 4:45 P.M., Respondent faxed a second draft to Palmer. (Exh. 41, Bates #814-822) , (Palmer Tr.290-92)

25. The May 19, 1993, draft received by Palmer had no claims and no drawings. (Palmer Tr.295-96), (Exh. 41, Bates #815-22), (Answer ¶59) , (Exh. 35, Bates #730) [86]

26. Respondent did not intend the May 19, 1993, draft to be a final draft ready for filing at the PTO but rather as an indication to Palmer of Respondent's recent work. (Halvonik Tr.1275), (Answer ¶59).

27. Respondent's testimony that Palmer's disclosure material provided for the use of absorbent material is contradicted by the clear and unambiguous language of the disclosure material. Moreover, when asked to find support in the disclosure material for his assertion, Respondent could not find any support. (Halvonik Tr.1319-23, 1385-1391)

28. On May 19, 1993, Palmer discharged Respondent and asked Respondent to return a portion of the $1300.00 fee that she had paid. (Palmer Tr.297), (Exh. 35-E, Bates #730).

29. In addition to seeking a refund of fees paid to Respondent, Palmer sought the return of her disclosure materials. (Palmer Tr.306), (Exh. 41, Bates #826), (Answer &62), (Exh. 35, Bates #719)

30. On June 12, 1993, Palmer sent another demand for return of the legal fees she had paid to Respondent. (Exh. 41, Bates #826), (Answer ¶62)

31. Respondent never filed a patent application for Palmer at the PTO. (Palmer Tr.305-06)

32. In July 1993, Respondent left a voice message on Palmer's answering machine stating that he reconsidered his

early position and offered Palmer $400.00. (Exh. 35, Bates #720).

33. On July 23, 1993, Respondent sent Palmer a letter and enclosed a check for $500.00. (Exh. 35-G, Bates #737)

34. The July 23, 1993, letter states:

> I [sic) reference to your recent request for a refund of money you paid for a patent application. I am enclosing a check for $500 based on the original filing fee paid less my hourly rate ($90) times hours spent on the project.
>
> I feel this is fair as it is based on the time I spent writing two drafts of the application as well as time on the phone with you in the first week of April and second week of May. [87] If this is unacceptable please call or write. (Exh. 35-G, Bates #737)

35. On July 26, 1993, Palmer sent Respondent a letter stating that she believed the refund should be for more than $500.00 (Exh. 35H, Bates #739)

36. On August 5, 1993, Joel Sachs, an attorney Palmer retained to assist her in recovering her money from Respondent, sent Respondent a letter requesting that Respondent "refund the full retainer amount of $1,300.00 plus whatever submissions she had transmitted to your office," and informed him that Palmer had been instructed not to cash the $500.00 check and directed Respondent to forward an additional check for $800.00 or that the $500.00 dollar check will be returned so that Respondent can write a check for $1300.00. (Exh. 35-I, Bates #740)

37. Palmer attempted to cash the check, but her credit union informed her that the check had been returned payment stopped. (Exh. 35-K, Bates #743)

38. Respondent never returned her disclosure material, including the devices that she had sent him. (Palmer Tr.306-07), (Halvonik Tr. 142 0-21)

CONCLUSIONS OF LAW

NEGLECT OF A LEGAL MATTER UNDER 37 C.F.R. § 10.77 AND/OR ENGAGED IN GROSS MISCONDUCT UNDER 37 C.F.R. § 10.23 (A) AND/OR CONDUCT THAT ADVERSELY REFLECTS ON FITNESS TO PRACTICE UNDER 37 C. F. IT. § 10.23(B) (6)

A. NELSON

1. PTO Disciplinary Rule 10.77(c) states that a practitioner shall not neglect a legal matter entrusted to the practitioner. 37 C.F.R. § 10.77(c).

2. PTO Disciplinary Rule 10.23(b) (6) states that a practitioner shall not engage in any conduct that adversely reflects on the practitioner's fitness to practice before the PTO. 37 C.F.R. § 10.23(b) (6).

3. PTO Disciplinary Rule 10.23(a) states that a practitioner shall not engage in disreputable or gross misconduct. 37 C.F.R. § 10.23(a). [88]

4. The Act prohibits a patent applicant from introducing new matter into the disclosure of the invention. 35 U.S.C. § 132; see also 37 C.F.R. 1.118.

5. The Act requires the inventor to set forth the best mode contemplated by the inventor of carrying out the invention. 35 U.C.S. § 112, &1.

6. The October 21, 1992, draft was incorrect because (i) the word "sealant" was used rather than "adhesive," (ii) a description of the preferred embodiment containing the dimensions was omitted, and (iii) the disclosure was misdescriptive.

7. The application as filed on October 29, 1992, was incorrect and incomplete because (fl the corrections

requested by Nelson on or about October 21, 1992, were not made prior to filing, and (ii) the dimensions previously provided by Nelson to Respondent were omitted.

8. Respondent's filing of the October 21, 1992, draft as the final application for Nelson did not constitute neglect of a legal matter entrusted to Respondent but did constitute gross misconduct and conduct that adversely reflected on Respondent's fitness to practice before the PTO.

9. Respondent's delay in determining which version of the application was actually filed constituted neglect of a legal matter entrusted to Respondent but did not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

B. PALMER

10. PTO Disciplinary Rule 10.77(b) states that a practitioner shall not handle a legal matter without preparation adequate in the circumstances. 37 C.F.R. § 10.77(b).

11. The April 27, 1993, draft was incorrect because it described the third member as absorbent whereas the disclosure material provided to Respondent did not describe the third member as being absorbent.

12. The April 27, 1993, draft was incorrect because the draft failed to include the waterproof feature of the invention as clearly disclosed in the disclosure material. [89]

13. The May 19, 1993, draft was incomplete and incorrect because the draft contained no drawings although the specification describes views of nine drawing figures.

14. The May 19, 1993, draft was incomplete and incorrect because the draft contained no claim section.

15. Respondent's drafting of the April 27, 1993, draft patent application for Palmer constitutes inadequate preparation in the circumstances and constitutes conduct that adversely reflects on Respondent's fitness to practice before the PTO.

16. Respondent's drafting of the April 27, 1993, draft patent application for Palmer does not constitute neglect of a legal matter entrusted to Respondent but does constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

17. Respondent's drafting of the May 19, 1993, draft patent application for Palmer does not constitute inadequate preparation in the circumstances and does not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

18. Respondent's drafting of the May 19, 1993, draft patent application for Palmer does not constitute neglect of a legal matter entrusted to Respondent and does not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

III. CONDUCT INVOLVING DISHONESTY, FRAUD, DECEIT OR MISREPRESENTATION UNDER 37 C.F.R. § 10.23(B)(4)

19. Respondent's statement to the PTO in the February 24, 1993, submission to the PTO that Nelson approved the October 21, 1992, draft for filing and that Nelson instructed Respondent to file does not constitute conduct involving misrepresentation.

20. Respondent's statement to the Office of Enrollment and Discipline ("OED") in his October 8, 1993, submission to the OED that he assumed that Nelson

approved the October 21, 1992, draft for filing and that Nelson instructed Respondent to file does not constitute conduct involving misrepresentation.

21. Respondent's statement to Abigail Roseman that Nelson owed Respondent money when she inquired about the return of [90] Nelson's files does not constitute conduct involving misrepresentation.

IV. FAILURE TO DELIVER TO THE CLIENT FUNDS OR OTHER PROPERTY WHICH THE CLIENT IS ENTITLED TO RECEIVE UNDER 37 C.F.R. § 10.112 (C) (4) AND/OR ENGAGED IN CONDUCT THAT ADVERSELY REFLECTS ON FITNESS TO PRACTICE UNDER 37 C.F.R. § 23(B) (6)

A. NELSON

22. Respondent submitted a final application, albeit not the application Nelson desired, and he never billed Nelson for the additional time of reviewing the Gold patent; but Complainant failed to prove by clear and convincing evidence that some work remained to be done based on a quantum meruit analysis.

23. Complainant failed to prove by clear and convincing evidence that Respondent did not earn the entire $1,000.00 fee that Nelson had paid to him.

24. Respondent's failure to pay a portion of the $1,000.00 to Nelson does not constitute a failure to promptly pay to the client as requested by the client, funds in the possession of Respondent which the client is entitled to receive.

25. Respondent's failure to pay a portion of the $1,000.00 to Nelson does not constitute conduct that adversely reflects on Respondent's fitness to practice before the PTO.

B. PALMER

26. Respondent never filed a patent application for Palmer, thus additional work remained to be done under a quantum meruit analysis.

27. Respondent did not earn the entire $1,300.00 fee that Palmer paid to him.

28. Respondent could not withhold the $500.00 which he unmistakably indicated that he did not earn, even though Palmer believed that she was entitled to additional funds.

29. Respondent's failure to pay $500.00 to Palmer constitutes a failure to promptly pay to the client as requested by the client funds in the possession of Respondent which the client is entitled to receive. [91]

30. Respondent's failure to pay $500.00 to Palmer constitutes conduct that adversely reflects on Respondent's fitness to practice before the PTO.

31. Respondent's failure to deliver to Palmer her disclosure materials, including her devices, constitutes a failure to promptly deliver to the client as requested by the client property in the possession of Respondent which the client is entitled to receive.

32. Respondent's failure to deliver to Palmer her disclosure material, including her devices, constitutes conduct that adversely reflects on Respondent's fitness to practice before the PTO.

V. LIMITING LIABILITY TO CLIENT UNDER 37 C.F.R. §10.78 AND/OR ENGAGED IN CONDUCT THAT ADVERSELY REFLECTS ON FITNESS TO PRACTICE UNDER 37 C. F. R. § 10.23(B) (6)

33. A practitioner cannot attempt to settle a dispute with a client by seeking client assurances that the client will not contact bar or judicial authorities.

34. An attempt to buy the silence of a client by agreeing to pay money to a client in exchange for the client not filing a complaint with the relevant bar authorities is repugnant to the intent of attorney discipline systems.

35. Complainant failed to prove by clear and convincing evidence that Respondent's attempt to settle his dispute with Nelson constituted a wilfull attempt to exonerate himself from, or limit his liability to a client for his personal malpractice.

36. Complainant failed to prove by clear and convincing evidence that Respondent's attempt to settle his dispute with Nelson constituted conduct which adversely reflects on his fitness to practice before the PTO.

37. Complainant failed to prove by clear and convincing evidence that Respondent's attempt to settle his dispute with Nelson by expressing a "wish" that the client not make a complaint with the office of Enrollment and Discipline constitute wilful conduct which adversely reflects on his fitness to practice before the PTO. [92]

ORDER

In light of the decision set forth above, Complainant and Respondent are directed to appear before the undersigned at 10:00 a.m. on March 5, 1998, to recommend what sanctions should be imposed on Respondent. The standards for penalties as established by 37 C.F.R. § 10.154(b) are:

(1) The public interest;

(2) The seriousness of the violation of the Disciplinary Rule;

(3) The deterrent effects deemed necessary;

(4) The integrity of the legal profession; and

(5) Any extenuating circumstances.

Participants should be prepared to provide oral argument based on the above factors.

APPEAL

Parties have 30 days from the issuance of this initial decision to file an appeal of this decision with the Commissioner of Patents and Trademarks.

Delbert R. Terrill, Jr.

Administrative Law Judge

Washington, D.C.

***

UNITED STATES PATENT AND TRADE OFFICE
BEFORE THE COMMISSIONER OF PATENT
AND TRADEMARKS

[MAR 4 1999]

KAREN L. BOVARD,

Director, Office of

Enrollment and Discipline,

Disciplinary Proceeding D96-03

v.

JOHN P. HALVONIK,
Respondent.

FINAL DECISION UNDER 37 CF.R § 10.156

Respondent John P. Halvonik (Halvonik) appeals the Initial Decision and Suspension Order of Hon. Delbert R. Terrill, Jr. Administrative Law Judge (ALJ) recommending that Halvonik be suspended for four months from practice before the Patent and Trademark Office (PTO).58 The Director of the Office of Enrollment and Discipline (Director) cross-appeals. I have carefully reviewed the record, and I conclude that substantial evidence supports the AU's determinations that the Director had proven by clear and convincing evidence that Halvonik violated the following rules: [1] PTO Disciplinary Rule (DR) 10.23(a)59 and [2] DR 10.23(b)(6) by filing a client's draft patent application without making the client's requested changes; [3] DR 10.77(c) by delaying to determine which version of that patent application had been filed [2] with the PTO, thereby neglecting a legal matter entrusted to him; [4] DR 10.112(c)(4), [5] DR 10.23(b)(6), and [6] DR 10.23(a) by failing to pay back $500 to a client; and [7] DR 10.112(c)(4) and [8] DR 10.23(b)(6) by failing to return a client's disclosure materials. For those eight rule violations, I adopt all of the ALJ's factual findings and legal conclusions, as well as the ALJ's recommended sanction. I do not adopt the ALJ's determinations that Halvonik violated DR 10.77(b) and DR 10.23(b)(6) for inadequate preparation of a first draft of a client's patent application.

Background

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[58] Bovard v. Halvonik No. D96-03 (Admin. Law Judge February 26, 1998) (initial decision). The suspension order was issued March 5, 1998.

[59] The PTO Disciplinary Rules are part of the PTO Code of Professional Responsibility, 37 C.F.R. ch. 10 (1996). See 37 C.F.R. § 10.20(b) (listing Disciplinary Rules). Thus, DR 10.23(a) appears at 37 C.F.R. § 10.23(a).

The Director filed a Complaint against Halvonik, Reg. No. 32,796, containing three specific counts alleging that Halvonik violated several sections of the PTO Disciplinary Rules while handling three separate patent applications. ALJ 2[60]. After an eight-day hearing, the ALJ made the following fact findings on the three counts, which are essentially uncontested.

A. Count I - The Maroon Application

The ALJ granted Halvonik's motion to dismiss Count 1 of the Complaint because it was barred by the applicable five-year statute of limitations, 28 U.S.C. § 2462. ALJ 20. Because the dismissal of Count 1 is not raised in either Halvonik's appeal or the Director's cross-appeal, I adopt the ALJ's decision to dismiss Count 1.

[3] B. Count 2 - The Nelson Application

Count 2 alleged, among other things, that Halvonik violated DR 10.23(a) and DR 10.23(b)(6) by filing an incomplete and incorrect application in the PTO without making the client's changes. Complaint p. 5. Count 2 also included the allegation that Halvonik violated DR 10.77(c) by neglecting to verify which version of the application was

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[60]Citations to the ALJ's decision will be referred to as "ALJ __," to the Appendix to the Complaint as "Complaint Appendix __," and to Halvonik's Transcript as "Halvonik Tr. __ " Also, Halvonik's Appeal Brief will be referred to as "Halvonik Brief __," and the Director's Reply Brief as "Reply Brief __."

filed. Director Pre-Trial Brief pp. 14. The ALJ made the following findings in connection with Count 2.

On August 24, 1992, Jack Richard Nelson retained Halvonik to prepare and file a patent application for a molding strip to be used in replacing automobile windows. ALJ 22. On October 8, 1992, Halvonik faxed an initial draft of the application to Mr. Nelson. LL That draft contained several errors or omissions: (1) the term "sealant," rather than the term "adhesive," was used throughout the draft; (2) the preferred dimensions of the molding strip contained blank areas for the numerical dimensions to be inserted; and (3) the draft contained an incorrect sentence stating that the foam dam would be removed after the urethane had cured. a at 76. Mr. Nelson contacted Halvonik several times, by telephone or fax, presenting revisions to the draft application,. including the matters stated above. Id. at 22 and 77.

On October 21, 1992, Halvonik faxed a revised draft to Mr. Nelson, but Halvonik's second draft contained the same three errors as the first draft that Mr. Nelson had told Halvonik he wanted corrected. Id. at 78. Upon receiving the second draft, Mr. Nelson called Halvonik the same day and went over the draft page-by-page, line-by-line to ensure that all of Mr. Nelson's changes would be made in the final version. Id. Mr. Nelson essentially "spoon-fed" his patent attorney all the required changes. Id. at 58. During that same conversation, Halvonik instructed Mr. Nelson to sign the declaration for the application, assuring Mr. Nelson that the necessary [5] disclosure materials. Id. Ms. Palmer's disclosure materials described a three-part kitty litter box with a hard, thin plastic liner that sits within an aluminum foil container which sits inside a traditional hard plastic litter box. Id. at 83. The disclosure stated that the prior art suffers from being made of absorbent material whereas her design is completely waterproof. Id.

On April 27, 1993, Halvonik sent Ms. Palmer a rough draft, which had at least four errors: (1) the draft application contained no figures even though two figures were referenced; (2) claim I recited "a third member made of absorbent material" contrary to the disclosure's statement that the invention was completely waterproof, (3) the draft incorrectly stated that the invention "alleviates the need for constant removal of kitty litter," whereas the inventor described a system where constant maintenance of the litter box was "central and core" to the invention; and (4) the draft incorrectly described the second member as malleable material whereas Ms. Palmer wanted the second member to be rigid. Id., at 84-85.

Ms. Palmer was dissatisfied with the draft. Id. at 85. On May 10, 1993, Ms. Palmer sent Halvonik an eight-page revision of the patent application along with eight penciled figures. a. Upon further reflection, Ms. Palmer contacted Halvonik on May 19, 1993, informing him that she had lost faith in him and no longer wished to go forward with the patent application. Id. Halvonik protested and faxed his second draft to Ms. Palmer later that day. Id. Halvonik's second draft was "pretty much verbatim" of Ms. Palmer's revised draft but failed to include a claim section. Id. at 51. Ms. Palmer discharged Halvonik and requested a portion of the $1300 fee she had paid, along with her disclosure materials. 11 at 86. In her letter to Halvonik of May 20, 1993, Ms. Palmer requested a complete refund. Id. at 24; Complaint Appendix 000211. In her letter of June 12, 1993, Ms. Palmer again requested a complete refund and return of her [6] materials. ALJ 24; Complaint Appendix 000212-14. On or about July 23, 1993, Halvonik sent Ms. Palmer a check for $500 with a letter explaining: "I am enclosing a check for $500 based on the original filing fee paid less my hourly rate ($90) times hours spent on the project." ALJ 86; Complaint Appendix 000220. On August 5, 1993, Ms. Palmer's attorney, Joel Sachs, sent Halvonik a letter requesting a full refund for Ms. Palmer and also the return of her disclosure

materials. ALJ 87; Complaint Appendix 000223. Mr. Sachs also wrote that he had instructed Ms. Palmer not to cash the $500 check until Halvonik returned the rest of the fee. ALJ 87; Complaint Appendix 000223. Later in August, 1993, Ms. Palmer attempted to cash the $500 check, but payment had been stopped. ALJ 87. Halvonik never filed an application for Ms. Palmer, and Ms. Palmer never received any refund or her disclosure material from Halvonik. I at 73, 86-87. At the hearing, Halvonik acknowledged that he owed Ms. Palmer a refund of $500 and that Ms. Palmer never received any portion of that $500. at 54; Halvonik Tr. 129196. Halvonik also admitted that although Ms. Palmer requested return of her materials, he never returned those materials to her. ALJ 55; Halvonik Tr. 1420-21.

D. The ATJ's Decision

In his thorough 92-page decision, the ALI, after review and consideration of the evidence, determined that Halvonik violated multiple PTO disciplinary rules in his handling of the Nelson and Palmer matters. ALJ 87-91. The AU concluded that Halvonik's filing of the October 21, 1992, draft as the final application for Mr. Nelson constituted gross misconduct in violation of DR 10.23(a), and conduct that adversely reflected on Halvonik's fitness to practice before the PTO in violation of DR 10.23(6)(6). Id. at 88. The ALJ also concluded that Halvonik's delay in [7] determining which version of Mr. Nelson's application had actually been filed constituted neglect of a legal matter in violation of DR 10.77(c). Id.

The AU further determined that Halvonik's first draft patent application for Ms. Palmer constituted inadequate preparation in the circumstances in violation of DR 10.77(b) and also constituted conduct that adversely reflected on Halvonik's fitness to practice before the PTO in violation of

DR 10.23(b)(6). Id. at 89. The ALJ determined that Halvonik's failure to return $500 he admitted he owed to Ms. Palmer constituted a failure to promptly pay to the client funds which the client is entitled to receive in violation of DR 10.112(c)(4) as well as conduct that adversely reflects on Halvonik's fitness to practice in violation of DR 10.23(b)(6). Id. at 90-91. The ALJ also concluded that Halvonik's failure to return the $500 was gross misconduct in violation of DR 10.23(a). Id. at 72. In addition, the ALI determined that Halvonik's failure to return Ms. Palmer's disclosure materials constituted a failure to promptly deliver the client's property which the client was entitled to receive in violation of DR 10.112(cX4) and also constituted conduct that adversely reflects on Halvonik's fitness to practice in violation of DR 10.23(b)(6). Id. at 91. The ALI found that all of Halvonik's violations were willful. See Id. at 60, 72, 73, 74.

In his suspension order, the ALJ considered several factors including the seriousness of Halvonik's offenses, the need for deterrence, the public interest, the integrity of the profession, and any mitigating factors. Halvonik Tr. 1997-2000; ALJ Suspension Order. After weighing the factors, the ALJ recommended a seven-month suspension, of which three months would be vacated if and when Halvonik completed and passed the Multi-State Bar Examination section of Professional Responsibility and also completed a law practice management course. Id. [8]

Opinion

The Commissioner of Patents and Trademarks has the authority to suspend a practitioner admitted to practice before the PTO for violating the Disciplinary Rules. 35 U.S.C. § 32 (1994); see also Koden v. United States Dep't of Justice, 654

F.2d 228, 233 (7th Cir. 1977) ("It is elementary that any court or administrative agency which has the power to admit attorneys to practice has the authority to disbar or discipline attorneys for unprofessional conduct."). I have carefully reviewed the record and the ALJ's initial decision. Halvonik makes a number of challenges to the ALJ's decision and suspension order. I have carefully considered Halvonik's arguments but find them for the most part to be unpersuasive. Additionally, the Director cross-appeals, arguing for a longer suspension as well as contending that the ALJ failed to address one of the charges. The contentions by each party are addressed below.

I. HALVONJK'S APPEAL

A. The Complaint Was Correctly Instituted

Halvonik claims that the Director failed to comply with the requirements of 37 C.F.R. §§ 10.132 and 10.4 before filing a complaint instituting a disciplinary proceeding against him. Halvonik Brief 7. Before the initiation of a disciplinary proceeding, the Disciplinary Rules require the Director to call a meeting of the Committee on Discipline (Committee). 37 C.F.R § 10.132(a). The Committee reviews evidence presented by the Director and by majority vote, determines whether probable cause exists to bring charges against a practitioner. See 37 C.F.R. §§ 10.132(a)(b) and 10.4(b). Halvonik argues that the Director failed to prove that in this instance, the Committee actually "met." Halvonik Brief 12. [9]

The Director responds that Halvonik's arguments relate to personal jurisdiction, which Halvonik waived by not

denying in his Answer to the Complaint that the tribunal had personal jurisdiction. Reply Brief 2. The Director analogizes Halvonik's arguments to criminal procedure cases where claims of defects in the institution of criminal proceedings are waivable under Fed. R. Crim. P. 12(b). See, e.g., Davis v. United States, 411 U. S. 233, 241 (1973); United States v. Grote, 632 F.2d 387, 388-89 (5th Cir. 1980); and United States v. Musaechia, 900 F.2d 493, 503 (2nd Cir. 1990). Reply Brief 2.

Rule 12(b) of the Federal Rules of Criminal Procedure provides: "Defenses and objections based on defects in the indictment or information" "must be raised prior to trial." Moreover,

Rule 12(b) "applies to both procedural and constitutional defects in the institution of prosecutions which do not affect the jurisdiction of the trial court." Davis, 411 U.S. at 236-37. Because the Committee acts as a "mini-Grand Jury" and disciplinary proceedings are often characterized as a quasi-criminal proceeding, the analogy to Rule 12(b) is generally applicable here.[61] However, [10] Halvonik did not waive his

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[61] The ALJ ruled that Halvonik's procedural defect claim was not waivable because the affirmative defense related to subject matter jurisdiction, comparing the claim to Newport News Shiphuilding and Dry Dock Co. v. Garrett, 6 F.3d 1547, 1552-53 (Fed. Cir. 1993) (certification by government contractor is required to be completed prior to contractor appealing contracting officer's denial of the contractor's claim; such certification confers appellate subject matter jurisdiction before the Armed Services Board of Contract Appeals). ALJ at 10. I do not find the ALJ's comparison to a government contractor's claim certification to be convincing, because claim certification, as a statutory requirement, is not waivable. See, 41 U.S.C. § 605(c)(1). In contrast, the Committee meeting is a regulatory requirement and therefore may be waivable. Moreover, Congress recently amended the Contract Disputes Act (CDA), 41 U.S.C. §§ 601-613, to provide that certification is no longer a jurisdictional prerequisite. Se The Federal Courts Administration Act of 1992, Pub. L. No. 102-572, § 907(a)(6), 106 Stat. 4506, 4518 (1992). Section 605(c)(6) now provides that "[a] defect in the certification of a claim shall not deprive a court or an agency board of contract appeals of jurisdiction over

right to argue this issue because Halvonik timely raised the issue in a motion prior to the hearing before the ALJ. See United States v. Dale, 991 F.2d 819, 850 (D.C. Cir. 1993) ("Nonjurisdictional objections to the institution of a prosecution, including the conduct of grand jury proceedings, ordinarily are waived unless raised pretrial, although the district court may grant relief from the waiver for good cause shown."). Therefore, I will address the issue of whether the Director complied with the regulations before instituting a disciplinary proceeding against Halvonik.

The Director submitted two declarations to the ALJ indicating the following: i) after an investigation, she called a meeting of the Committee; ii) she presented evidence to the Committee on or about May 31, 1996; iii) the Committee reviewed the evidence and found probable cause to bring certain charges; iv) in or about June 1996, the Committee returned a "determination of probable cause;" and v) after receiving the Committee's determination, the Director filed the Complaint. The Director also submitted a redacted version of the Committee's Determination of Probable Cause, signed by all Committee members but undated, stating that the Committee met on May 31, 1996, reviewed the evidence, and determined by unanimous vote that probable cause existed to bring certain charges. In addition, the Director submitted a signed and dated declaration from each Committee member stating the time frame in which each member signed the Determination. After reviewing all the declarations, along with the Committee's Determination, the ALJ found that the Committee had "met" as required by

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that claim." In view of the foregoing, Newport News does not provide persuasive support for concluding that the procedural defect claim here is not waivable. **[10]**

regulation either through meeting personally, by teleconference, or by transmittal coordination of the probable cause determination. ALL 16. There is no evidence whatsoever that the Committee did not "meet." In light of all the documentation, the ALJ did not deem it necessary to require the Committee members to testify. Id After reviewing all the declarations and the Determination, I see no reversible error in the ALJ's conclusion. The Director properly obtained a Determination and Halvonik's constitutional rights were not violated.

Halvonik contends that the written declarations are not admissible evidence. Halvonik Brief 7. However, the Administrative Procedure Act (APA) provides that in an administrative hearing, the ALJ may admit any oral or documentary evidence. 5 U.S.C. § 556(d); see also Richardson v. Perales, 402 U.S. 389, 402 (1971) (unswom documentary evidence may constitute substantial evidence in administrative hearing). In addition, "The rules of evidence prevailing in courts of law and equity are not controlling in hearings in disciplinary proceedings." 37 C.F.R. § 10.150(a). Therefore, the declarations were properly considered by the ALJ.

Halvonik also insists that he should have been allowed to call Committee members to testify at the hearing. Halvonik Brief 7-8. In light of the documentary evidence, the ALJ correctly determined that having the Committee members testify was unnecessary. ALJ 16. Furthermore, this testimony is prohibited by the PTO regulations. `No discovery shall be authorized of, and no member of the Committee on Discipline shall be required to testify about, [12] deliberations of the Committee on Discipline." 37 C.F.R. § 10.4(c). Moreover, the ALI did not commit reversible error by ruling that Halvonik improperly attempted

to add the Committee members to his witness list long after discovery had expired and the pre-hearing statements had been filed. ALI 16-17; see 37 C.F.R. § 10.152.

Because the evidence conclusively shows that the Director properly obtained a determination of probable cause from the Committee prior to filing the Complaint, the AL7's ruling is affirmed.

B. Willfulness

The Administrative Procedure Act requires licensing agencies to prove willfulness of a licensee's violations in certain circumstances. 5 U.S.C. § 558(c) provides in relevant part:

> Except in cases of willfulness . . . the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefor, the licensee has been given
>
> (1) notice by the agency in writing of the facts or conduct which may warrant the action; and
>
> (2) opportunity to demonstrate or achieve compliance with all lawful requirements.

Thus, if the Director has not given a practitioner both (a) written notice of the facts or conduct which may warrant a suspension and (b) an opportunity to achieve compliance, then the PTO can suspend the practitioner's license to practice before the PTO only if the Director proves that the

violation is willful. See Capital Produce Co., Inc. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991).

In the present case, it is undisputed that for the suspension to be sustained, the facts found by the ALI must show that Halvonik's violations were willful. "'Willfulness' for purposes of Section 558(c) means `an intentional misdeed or such gross neglect of a known duty as to be the [13] equivalent thereof... Id. (quoting Hutto Stockyad. Inc. v. USDA 903 F.2d 299, 304 (4th Cir. 1990)); see also Koden v. United States Dep't of Justice, 564 F.2d 228, 234 (7th Cir. 1977) ("[I]f a person 1) intentionally does an act which is prohibited,-irrespective of evil motive or reliance on erroneous advice, or 2) acts with careless disregard of statutory requirements, the violation is wilful."). For a suspension to be authorized in this case, "the only requirement is that at least one of the violations be willful." See Cox v. USDA, 925 F.2d 1102, 1105 (8th Cir. 1991). However, in this case, I conclude that Halvonik's conduct was willful with regard to each of the eight sustained rule violations. As explained below in sections C and D, the ALJ properly measured Halvonik's conduct against the legal standard of willfulness.

C. The Palmer Application

On this count, I adopt the ALJ's determination that Halvonik violated DR 10. 1 12(c)(4), 10.23(b)(6) and 10.23(a) by willfully failing to deliver funds to Ms. Palmer that Ms. Palmer was entitled to receive. DR 10.112(c)(4) provides that a practitioner shall promptly "pay or deliver to the client as requested by a client the funds, securities, or other properties in the possession of the practitioner which the client is entitled to receive." DR 10.23(a) states: "A

practitioner shall not engage in disreputable or gross misconduct." DR 10.23(b)(6) provides that a practitioner shall not engage in any conduct "that adversely reflects on the practitioner's fitness to practice before the Office."

The record demonstrates, and Halvonik admits, that he did not earn $500 paid to him by Ms. Palmer and that he failed to return the $500 that Ms. Palmer is entitled to receive. ALJ 86; Halvonik Tr. 1295-99. After Ms. Palmer discharged Halvonik and requested a refund, Halvonik provided her with an accounting which stated: [14]

> I am enclosing a check for $500 based on the original filing fee paid less my hourly rate ($90) times hours spent on the project.
>
> I feel this is fair as it is based on the time I spent writing two drafts of the application as well as time on the phone with you in the first week of April and second week of May.

ALJ 86. At the hearing before the ALJ, Halvonik admitted that Ms. Palmer was entitled to $500 from him. ALI 73; Halvonik Tr. 1295. When Ms. Palmer requested a larger refund, Halvonik did not communicate with her, but instead stopped payment on the $500 check. ALJ 87. Ms. Palmer never received $500 from Halvonik that his accounting, as well as his own testimony, indicates he did not earn. Halvonik Tr. 1295-96. Accordingly, it cannot be disputed that both parties agree that Ms. Palmer is entitled to receive at least $500, yet Halvonik continues to retain those funds. By consciously withholding from a client funds that Halvonik acknowledged the client is entitled to receive,

Halvonik has knowingly engaged in gross misconduct, and that misconduct reflects adversely on his fitness to practice before the PTO. The ALJ correctly found that clear and convincing evidence exists to prove that Halvonik willfully violated DR 10. 1 12(c)(4), 10.23(b)(6), and 10.23(a).

Halvonik's arguments to the contrary are either misplaced or unconvincing. Halvonik contends that the matter with Ms. Palmer boils down to a fee dispute in which the PTO should not become involved. But as already stated, no fee dispute exists regarding $500 of the $1300 fee. Halvonik admitted that he did not earn that portion of the advance payment and that Ms. Palmer is entitled to receive that sum. Ms. Palmer never received that unearned portion. The fee dispute between Halvonik and Ms. Palmer, if any, is limited to the remaining $800 of the [15]

$1300 fee. The ALJ's determination that Halvonik violated the Disciplinary Rules were limited to the unearned $500 portion.

Halvonik's argument that the $1300 advance fee belongs to Halvonik and is not "client funds" is equally without merit. Halvonik is a member of the Pennsylvania state bar and relies on New York and Pennsylvania state law for the proposition that advance fees are not "client funds." Halvonik Brief 28-37. However, the advisory opinion from which Halvonik quotes points out that "upon termination of employment, [the] lawyer must promptly return to client unearned portion of fee paid in advance." Halvonik Brief 30 (quoting New York State Bar Association Committee on Professional Ethics, Opinion Number 570 (June 7, 1985); s also id. ("the lawyer is obliged promptly to return any portion of the fee advance that is not earned in rendering legal services.") Halvonik Brief 31. Thus, state laws and the PTO rules are not in conflict. 5= Jim Pennsylvania Rules of Professional Conduct 1.16(d) (an attorney must "surrender[]

papers and property to which the client is entitled and refund[] advance payments of fee that has not been earned."); cf. Comments to Pennsylvania Rules of Professional Conduct 1.15 ("The undisputed portion of the funds shall be promptly distributed."). Moreover, Pennsylvania's choice of law rules indicate that the PTO rules would control in the instant matter. See Pennsylvania Rules of Professional Conduct 8.5 ("for conduct in connection with a proceeding in a court or agency before which a lawyer has been admitted to practice . . ., the rules to be applied shall be the rules of the jurisdiction in which the court or agency sits, unless the rules of the court or agency provide otherwise.") According to DR 10.112(c)(4), at stake here are funds that "the client is entitled to receive." Here, there is no dispute that Ms. Palmer is entitled to at least $500. Halvonik recognizes that but even up until the administrative hearing he has failed to return it. [16] Halvonik Tr. 1964-65. He therefore has willfully violated DR 10. 1 12(c)(4), DR 10.23(b)(6) and DR 10.23(a).

I also adopt the ALJ's determination that the evidence clearly and convincingly substantiates that Halvonik willfully failed to return Ms. Palmer's disclosure materials, violating DR 10.112(c)(4) and DR I0.23(b)(6). Halvonik's argument that the items were de minimis misses the point entirely. When Ms. Palmer requested her materials back from Halvonik, he was obliged to return them promptly, regardless of their value. See DR 10.112(c)(4). At the hearing, Halvonik acknowledged that Ms. Palmer had made a written request for her materials and that he never returned them. Halvonik Tr. 1421. Further, Halvonik never offered any explanation for why he failed to return the items. By ignoring his client's requests and never returning Ms. Palmer's materials, Halvonik's conduct was a willful failure to return promptly client properties in his possession which the client was entitled to receive. In addition, Halvonik's willful conduct reflects adversely on his fitness to practice before the PTO in

violation of DR 10.23(b)(6). For the foregoing reasons, the ALJ's ruling on this issue is adopted.

However, I do not adopt the ALJ's ruling that Halvonik's first draft of Ms. Palmer's application constituted an inadequate preparation in the circumstances and constituted conduct that adversely reflects on his fitness to practice before the PTO. See ALJ 89. DR 10.77(b) states that a practitioner shall not handle "a legal matter without preparation adequate in the circumstances." Halvonik's April 27, 1993, first draft contained several glaring errors, especially in view of Ms. Palmer's disclosure materials. ALJ 84-85. However, neither the ALJ nor the Director in her Reply Brief cite to any previous case where DR 10.77(b) or analogous ethics rules were invoked in a similar factual circumstance regarding a draft document. A draft, by its very [17]

nature, is not intended to be a complete, error-free document. Inadequate preparation must be judged on a case-by-case basis, and the facts presented here do not rise to the level of a willful violation of DR 10.77(b). For the same reasons, I do not adopt the ALJ's determination that Halvonik violated DR 10.23(b)(6) with his first draft of Ms. Palmer's application.

D. The Nelson Application

On this count, I adopt the ALJ's determination that the filing of Mr. Nelson's application which excluded changes specifically and repeatedly requested by the client constituted gross misconduct under DR 10.23(a) and adversely reflected on Halvonik's fitness to practice under DR 10.23(b)(6). ALJ 88. Halvonik's first draft application for Mr. Nelson had a number of mistakes and Mr. Nelson communicated the corrections to Halvonik by telephone and

by facsimile. ALJ 77. Those mistakes included i) referring to urethane as a sealant rather than an adhesive, ii) leaving the spaces for numerical dimensions blank, and iii) including a sentence concerning the removal of a foam dam after curing that was incorrect. ALJ 76. Halvonik's second draft of October 21, 1992, however, had the same three mistakes as the first draft. ALJ 78. Mr. Nelson and Halvonik then went over the October 21, 1992, draft together, page-by-page, line-by-line, to ensure that the changes would be made. Id. During that discussion, Halvonik instructed Mr. Nelson to sign the patent application declaration, in direct willful disregard of the requirement that his client sign the declaration only after reading the last version of the application. Id. at 60; 78-79; see 37 C.F.R. § 1.63. Halvonik filed the October 21, 1992, draft application without making the changes. Id. at 79-80. Halvonik admitted that he "screwed-up." Halvonik Tr. 1138.[18]

Halvonik argues that his negligence, no matter how gross, does not amount to willfulness, because willfulness requires actual awareness that one is doing something wrong. Halvonik Brief 15. That is an incorrect statement of the law. Gross negligence may rise to the level of willfulness. Willfulness includes "such gross neglect of a known duty as to be the equivalent" of an intentional misdeed. Capital Produce Co. v. United States, 930 F.2d 1077, 1079 (4th Cir. 1991). Moreover, the test for willfulness is met when a person "intentionally does an act which is prohibited,-- irrespective of evil motive or reliance on erroneous advice." Koden v. United States Dep't of Justice, 564 F.2d 228, 234 (7th Cir. 1977). It is undisputed that Halvonik's conduct amounted to gross negligence. S,= Halvonik Brief 15-16. Furthermore, there is no question that Halvonik deliberately committed all the acts in question. I agree with the AIJ that Halvonik's disregard for PTO requirements by directing Mr. Nelson sign the declaration before the application was

completed is evidence of Halvonik's willfulness. Having the falsely sworn declaration from the inventor allowed Halvonik to file with the PTO an incomplete application that still contained uncorrected errors. Accordingly, I agree with the ALJ that Halvonik's conduct constitutes "willful gross misconduct" in violation of DR 10.23(a). For the same reasons, I find that Halvonik also willfully violated DR 10.23(b)(6). See ALJ 60.

Halvonik further argues that "mistakes happen all the time," and Mr. Nelson suffered no harm because the changes that Halvonik failed to make to Mr. Nelson's application could still be made without making a material alteration to Mr. Nelson's patent. This argument has no merit. Directing his client to sign a declaration for an incomplete application is not a mistake. Furthermore, failure to enter the corrections into the draft application after being "spoon-fed" the changes repeatedly by his client cannot be considered a mere oversight. As the AW properly

[19] found, Halvonik had "several bites at the apple to make the appropriate changes, yet failed to make them." ALJ 60. In addition, Halvonik admitted he did not closely review what he filed with the PTO. Id. This was not simply a mistake, but an intentional failure to act with due care. In light of these circumstances, Halvonik's reckless disregard for the consequences of his actions was a manifest breach of duty to his client.

Halvonik's rebuttal argument about harm to the client is to no avail. Establishing harm to the client is not a requirement for determining that Halvonik's misconduct violates the PTO disciplinary rules. See DR 10.23(a) and 10.23(b)(6). If nothing else, Halvonik's unreliability compelled Mr. Nelson to hire a new attorney to prosecute the application, which cost him an additional $2,500. ALJ 61.

Finally, Mr. Nelson never received a patent with the corrections that he had initially wanted entered.

Also, I adopt the ALJ's determination that Halvonik's delay in determining which version of the application was actually filed constituted neglect of a legal matter entrusted to him in violation of DR 10.77(c). ALJ 88. Halvonik's failure to follow up on the filing from December 1992 until late January 1993, after repeated exhortations from Mr. Nelson, constituted gross neglect of a known duty. See Capital Produce, 930 F.2d at 1079. Halvonik's careless disregard for the consequences of his actions are the equivalent of willfulness. See id.

Halvonik contends that this specific charge was not made in the Complaint, and therefore he did not receive fair notice of the charge, citing In re Ruffalo, 390 U.S. 544 (1967). Halvonik Brief 21-22. Although the Complaint did not specifically charge neglect in Halvonik's delay to review the file, the Director's Pre-Trial Brief clearly and unmistakably put Halvonik on notice prior to the hearing that the charge of neglect extended to his unjustified delay in determining [20] what he had filed with the PTO. Director Pre-Trial Br. 1-4. Ruffalo does not support Halvonik's argument, because in that case the attorney did not receive fair notice when the additional charges were added after he had testified in his disbarment proceeding. Ruffalo, 390 U.S. at 550-51. Because Halvonik received notice of the neglect charge well before testifying, he was not deprived of due process. Moreover, 37 C.F.R. § 10.145 provides for a variance between the evidence and the allegations in a complaint. Thus, Halvonik received fair notice of the neglect charge and an opportunity to address the evidence. Accordingly, his rights were not prejudiced by this additional charge.

E. Sanction

The ALJ's order of a four-month suspension is adopted. The eight violations discussed above more than justify a suspension of four months, especially Halvonik's willful failure to return funds and properties to Ms. Palmer that she is entitled to receive. The seriousness of unjustifiably withholding funds and property that should be returned to a client cannot be overlooked. Although the two violations found by the ALJ regarding the inadequate preparation of Ms. Palmer's first draft application are not adopted, on the facts of this case, those charges are unnecessary to justify the sanction. Thus, the ALJ's suspension order is adopted.

II. CROSS-APPEAL

The Director cross-appeals on two grounds. First, in the Director's view, the gravity of Halvonik's several acts of misconduct warrants a sanction greater than four months. Second, the Director contends that the ALJ failed to analyze and address the charge that Halvonik violated DR 10.78 in attempting to limit his liability with Mr. Nelson. Director Cross-Appeal 1. [21]

It is initially noted that the Director moved to strike Halvonik's Reply Brief to the CrossAppeal for untimeliness. 37 C.F.R. § 10.155 requires that a reply brief must be filed with 30 days of the cross-appeal brief. A copy of the Director's Cross-Appeal was served on Halvonik's counsel via hand delivery on April 27, 1998. Although Halvonik's Reply Brief was mailed on May 27, 1998, he did not file the brief by May 27, 1998. 37 C.F.R. § 10.141 governs the filing of papers in disciplinary matters and expressly states that

certificates of mailing are not available in disciplinary proceedings. Thus, Halvonik's Reply Brief filed by mail must have been received by the Director by May 27, 1998, to be timely. Counsel for the Director received an unsigned copy of Halvonik's Reply Brief on May 28, 1998, but Halvonik did not file a signed copy with the Director until June 5, 1998. The Brief was received outside the 30-day time limit and is therefore untimely. Nevertheless, because I do not change my decision in response to the arguments in the Director's Cross-Appeal, consideration of the Reply Brief is moot.

The Director claims that she charged Halvonik with two different violations of DR 10.78 based on (1) Halvonik's attempt to settle all claims with Mr. Nelson, and (2) Halvonik's attempt to buy the silence of Mr. Nelson by conditioning the return of fees in exchange for Mr. Nelson's promise not to report Halvonik to the authorities. The Director argues that although the ALJ considered the second claim and ruled there was no violation, the ALJ never addressed the first claim, which should be now considered at this stage.

The Director's argument is unavailing. After reviewing the record and the ALJ's initial decision, I find no error in the ALJ's conclusion that "Complainant failed to prove by clear and [22] convincing evidence that Respondent's attempt to settle his dispute with Nelson constituted a willful attempt to exonerate himself from, or limit his liability to a client for his personal malpractice." ALJ 91. The ALJ's ruling addresses all aspects of the Director's charge under DR 10.78. Moreover, settlement of legal disputes is to be encouraged and attempts to do so, in and of themselves, do not constitute ethical violations.

The Director further argues that the ALJ failed to articulate any basis underlying his recommended sanction. According to the Director, the ALJ did not properly consider the penalty factors set forth in 37 C.F.R. § 10.154(b): (1) the public interest; (2) the seriousness of the violations; (3) the deterrent effects deemed necessary; (4) the integrity of the legal profession; and (5) any extenuating circumstances. Upon reviewing the suspension order as well as the suspension order hearing of March 5, 1998, I am satisfied that the ALI properly and thoroughly considered all of the penalty factors in arriving at his recommended sanction. See Pension Order; see also Halvonik Tr. 1995-2000.

There is no doubt that the seriousness of the violations warrant suspension and the ALJ correctly determined that. Halvonik Tr. 1995-98; Suspension Order. As described earlier, withholding funds from Ms. Palmer is a very serious matter. Halvonik stopped payment on the $500 check after receiving a letter dated August 5, 1993, from Mr. Sachs informing him that Ms. Palmer would not cash the check. Complaint Appendix 000223. But any confusion on Halvonik's part was dispelled by Mr. Sachs' August 30, 1993, letter notifying Halvonik that Ms. Palmer would be cashing the $500 check. Complaint Appendix 000224. Moreover, even though Halvonik acknowledged that he owed Ms. Palmer at least $500, when she requested a full refund, Halvonik then decided "to dispute every nickel." Halvonik Tr. 1962. To this day, Ms. Palmer [23] still has not received her $500, in spite of Halvonik's admissions that those funds belong to her. Halvonik Tr. 1964-65. Additionally, the ALJ recognized that Halvonik's failure to return Ms. Palmer's disclosure materials and gross misconduct and willful neglect regarding Mr. Nelson's application were also serious. Suspension Order; Halvonik Tr. 1995-97.

The ALJ also properly found that the integrity of the profession and the need for deterrence require a suspension. Suspension Order; Halvonik Tr. 1998. Because practitioners have enormous power over the intellectual property rights of their clients, the disciplinary process must maintain the profession's integrity. Furthermore, deterring other practitioners from engaging in similar misconduct weighs in favor of suspending Halvonik.

However, the ALJ was convinced that Halvonik has made several adjustments to improve the management of his office to avoid further violations of the PTO Rules. Suspension Order; Halvonik Tr. 1998-2000. The ALJ concluded that the public interest in ensuring that practitioners act with integrity and in compliance with the rules has been protected by the subsequent changes to Halvonik's practice. Id. I will not disturb this finding.

Also, the ALJ found that the passage of time since the misconduct is a mitigating factor. Halvonik Tr. 2000. The ALJ also considered professional responsibility case law, including Wiffenbach v. Turner, 20 UPSPQ2d 1102 (Comm. Pat. 1991), for guidance in arriving at his recommended sanction. Halvonik Tr. 1921, 1997.

The four-month suspension recommended by the ALJ is far less severe than it could have been, but it is clear that the ALJ gave careful consideration to extenuating circumstances. I am not convinced that the recommended sanction is inappropriate. [24]

ORDER

Upon consideration of the entire record, and pursuant to 37 C.F.R. § 10.130(a), it is

ORDERED that one month from the date this order is entered, JOHN P. HALVONIK of 1517 Gerard Street, Rockville, Maryland, whose PTO Registration Number is 32,796, be suspended for seven months from practice before the PTO under the conditions set forth in 37 C.F.R. § 10.158, but three months shall be vacated from the suspension if and when Halvonik completes and passes the Multi-State Bar Examination section on Professional Responsibility and enrolls in and completes a state or local bar association course(s) regarding the management of a sole practitioner office. The course must also include a section on client communication;

ORDERED that this Final Decision in this proceeding be published.

RECONSIDERATION AND APPEAL RIGHTS

Any request for reconsideration of this decision must be filed within twenty (20) days from the date of entry of this decision. 37 C.F.R. § 10.156(c). Any request for reconsideration mailed to the PTO must be addressed to:

Q. Todd Dickinson

Acting Assistant Secretary of Commerce and

Acting Commissioner of Patents and Trademarks

U.S. Patent and Trademark Office

Crystal Park II, Suite 906

Washington, D.C. 20231 [25]

A copy of the request must also be served on the attorneys for the Director of Enrollment and Discipline:

Kevin Baer

John Whealan

U.S. Patent and Trademark Office

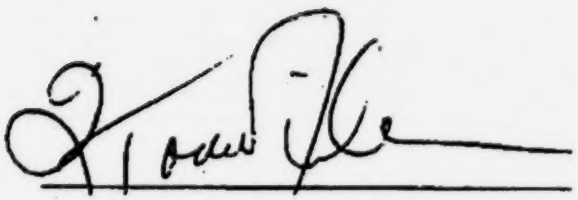
Crystal Park II, Suite 918

Post Office Box 15667

Arlington, VA 22215

Any request hand-delivered to the PTO must be hand-delivered to the Office of the Commissioner, in which case the service copy for the attorney for the Director shall be hand-delivered to the Office of the Solicitor.

If a request for reconsideration is not filed, and Respondent desires further review, Respondent is notified that he is entitled to seek judicial review on the record in the U.S. District Court for the District of Columbia under 35 U.S.C. § 32 and Local Rule 213 of the U.S. District Court for the District of Columbia within thirty (30) days of the date of entry of this decision.



Q. TODD DICKINSON

Acting Assistant Secretary of Commerce

and Acting Commissioner of Patents

and Trademarks [26]

cc: Karen L. Bovard

Office of Enrollment and Discipline

Henry St. John FitzGerald

220 Wilson Blvd., Suite 800

Arlington, VA 22201

David P. Sheldon

Feldesman, Tucker, Leifer, Fidell & Bank

2001 L Street, N.W., Suite 300

Washington, D.C. 20036

Kevin Baer

John Whealan

Office of the Solicitor

3/4/99

Copy was also sent to Mr. FitzGerald at:

2200 Wilson Blvd., Suite 800

Arlington, VA. 22201

(the correct address)

Maryann

APPENDIX C: PORTIONS OF THE TRIAL TRANSCRIPT, PLEADINGS, RELEVANT PORTIONS OF THE U.S. CONSTITUTION, STATUTES AND REGULATIONS.

[PTO 00007] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of
Enrollment and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

COMPLAINT AND NOTICE OF PROCEEDINGS UNDER 35 U.S.C. SEC 32.

Karen L. Bovard, Director of Enrollment and Discipline, hereby gives notice of a disciplinary proceeding and a statement of the charges against John P. Halvonik as follows:

1. This complaint and notice of proceedings is filed pursuant to 37 CFR 10.134. Respondent's answer shall be filed in writing with the Administrative Law Judge and a copy of the answer shall e served on the Director of the Office of Enrollment and Discipline within thirty (30) days from the date of this notice....

COUNT 2

By filing an incorrect and incomplete version of a patent application, by engaging in conduct involving misrepresentation to the PTO or another party, by attempting to limit his liability to a client for his practice, and by not returning money paid by the client, Respondent engaged in professional misconduct in violation of 37 C.F.R. § 10.23(a), 10.23(b)(4), 10.23(b)(6), 10.77(c), and/or 10.78.

22. In or about August 1992, Jack Richard Nelson (Nelson) did retain Respondent to prepare and file an application for patent on an invention (Appendix, p.63).

23. On October 8. 1992, after Nelson paid Respondent $1,000.00 (Appendix, pp.63, 67 and 69), Nelson received from Respondent an initial draft of a patent application (Appendix, pp.63, and 70-75). On information and belief, also on October 8, 1992, Respondent did send Nelson written instructions about signing a Small Entity Declaration form and a Patent Declaration form (Appendix, p.121), and Respondent did send Nelson a Small Entity Declaration form and a Patent Declaration form (Appendix, p.122).

24. Respondent's initial draft application was incomplete and incorrect (Appendix, pp.63, 70-75).

25. Under 37 CFR § 1.74, "[w]hen there are drawings, ... the detailed description of the invention shall refer ... to the different parts by use of reference letters or numerals (preferably the latter)."

26. The initial draft application was incomplete. On information and belief, the initial draft application was incomplete because, inter alia, although the specification describes views of two (2) drawing figures (Appendix, p.73), (i) Respondent did not provide drawings, (ii) the detailed description of the invention did not refer to the different views by specifying the numbers of the figures, and/or (iii) the detailed description of the invention did not refer to the different parts of the invention by use of reference letters or numerals (Appendix, pp.70-75).

27. The initial draft application was incorrect. On information and belief, the initial draft application was incorrect because, inter alia, (i) the word "sealant" was used instead of "adhesive" (Appendix, pp.70-75), (ii) the description of a preferred embodiment was omitted (Appendix, p.74), and/or (iii) the disclosure was misdescriptive (Appendix, p.74).

28. Because Respondent's initial draft was incomplete and incorrect, Nelson did type his own rough draft (the retyped draft) and did include additional information relating to dimensions of his invention (Appendix, pp.81-86; 119; 118 - Questions 4, 5, and 6; and 121 - Answers 4, 5, and 6). On or about October 12, 13 or 14, 1992, Nelson did provide Respondent with a copy of the retyped draft (Appendix, pp.81-86).

29. On or about October 14, 1992, Nelson did communicate with Respondent via telephone and facsimile, and did suggest changes necessary to be made to Respondent's initial draft (Appendix, p.63; 127 - Interrogatory 6; 131 - Response 6; 137 - Interrogatory 30; and 139 - Response 30).

30. On information and belief, based on his telephone and/or facsimile communication with Nelson, and Nelson's retyped draft, Respondent did prepare a revised draft application (Appendix, p.127 - Interrogatory 6; 131 - Response 6; 137 - Interrogatory 30; and 139 - Response 30). On or about October 21, 1992, Respondent did send Nelson the revised draft application (Appendix, p.92-103; 127 - Interrogatory 7; and 131 - Response 7)

31. Respondent's revised draft application was incorrect (Appendix, pp.93-103). On information and belief, the revised draft application was incorrect because, inter alia, (i) the word "sealant" was used instead of "adhesive" (Appendix, pp.94-96, 98 and 100), (ii) a description of the preferred embodiment was omitted (Appendix, p.99), and/or (iii) the disclosure was misdescriptive (Appendix, pp.97 and 99).

32. On or about October 21, 1992, Nelson did communicate with Respondent on the telephone, and did indicate that errors which occurred in Respondent's initial draft application remained in Respondent's revised draft application (Appendix, p.63; 127 - Interrogatory 8; 131 - Response 8). On information and belief, Nelson did request that the errors in Respondent's revised draft application be corrected prior to filing a final version of the application (Appendix, pp.63, and 120).

33. On information and belief, during a telephone conference on or about October 21 or 22, 1992, Respondent orally countermanded his written instruction of October 8, 1992, that Nelson not sign a declaration until Nelson was satisfied with the draft, and Respondent did instruct Nelson

to sign the Small Entity Declaration and Patent Declaration (Appendix, pp.63; 120, 122; 117 - Question 3; and 121 - Answer 3).

34. On information and belief, pursuant to Respondent's instruction, Nelson a signed Declaration for a patent application and a Small Entity Declaration. Nelson sent the same and a check to Respondent without a specification and claims, and without instructions for Respondent to file the revised application in the PTO (Appendix, p.63; 117 - Question 1; and 121 - Response 1).

35. On or about October 22, 1992, pursuant to Respondent's instructions, Nelson did send to Respondent the signed Small Entity Statement, signed Patent Declaration, and $355.00 to cover the government filing fee for a patent application (Appendix, p.63).

36. On October 29, 1992, Respondent did file the revised application in the PTO as a patent application without correcting the errors in the revised application (Appendix, pp. 108; 115; 127 -Interrogatory 11; and 131-132 - Response 11).

37. In response to interrogatories from OED, Respondent did represent to the PTO that since Nelson signed the revised application, Respondent "assumed" that Nelson "approved the last draft" (Appendix, pp. 21 - Interrogatory 12; 132 - Response 12).

38. Respondent did represent to the PTO that Nelson instructed Respondent to file the revised application in the

PTO (Appendix, pp.119, 128 - Interrogatory 12; and 132 - Response 12).

39. The filed application was incomplete and incorrect. The application did not include corrections Nelson requested in a telephone conference with Respondent on or about October 21 or 22, 1992 (Appendix, pp. 115 and 119). The filed application also omitted information regarding dimensions of Nelson's invention which Nelson provided to Respondent in Nelson's retyped draft (Appendix, pp.129 - Interrogatory 19; 132 - Response 19).

40. In an Office action dated January 22, 1993, claims in the filed application were rejected under 35 U.S.C. § 112 for, inter alia, being indefinite for failing to distinctly claim the invention, and an objection was raised because of an inconsistency between the specification and drawings in the filed application (Appendix, pp.108-114).

41. On or about February 5, 1993, Nelson did communicate with Respondent, and Nelson did request the return of his files and return of the money he had paid Respondent (Appendix, p.106).

42. On or about February 5, 1993, Respondent did communicate with Abigail Roseman, Nelson's private attorney, and did represent to Roseman that Nelson owed Respondent money (Appendix, pp.64; 129 - Interrogatory 22; and 132 - Response 22).

43. On information and belief, Nelson did not owe money to Respondent (Appendix, p.64).

44. By letter to Nelson dated February 5, 1993, Respondent did send to Nelson his files, and Respondent did state "I am prepared to forward a settlement offer of $1355. Is this acceptable?" (Appendix, p.124).

45. Respondent did attempt to limit his liability for personal malpractice by offering to return Nelson's money if Nelson agreed not to pursue other damages (Appendix, pp.65, 124, 130 -Interrogatory 24; 133 - Response 24).

46. On information and belief, Respondent did not promptly return to Nelson the money Nelson paid to Respondent (Appendix, pp.65, 130 - Interrogatory 25; 133 - Response 25).

47. On or about February 24, 1993, Respondent did file in the PTO a Statement Under Rule 56 alleging that, Nelson "mailed the oath [i.e., Patent Declaration] back [to Respondent] with instructions to file" the revised application (Appendix, p.119).

48. Respondent did neglect the preparation of a complete application for Nelson by providing Nelson and filing in the PTO an incorrect and incomplete application.

49. Respondent did not earn all the money Nelson sent to him for preparation and filing of a patent application.

50. Respondent has knowingly participate in the course of conduct described in paragraphs 22 through 49 of this Count 2, and

as a consequence thereof, has been in violation of the PTO Code of Professional Conduct in the following respects:

a. Respondent's handling of all aspects of Nelson's patent application and failure to return Nelson's money constitute gross misconduct in violation of 37 CFR § 10.23(a) and/or

b. Respondent's representation to Roseman that Nelson owed money, and/or Respondent's representation to the PTO or OED that Nelson approved the revised application and instructed respondent to file the revised application constitute conduct involving misrepresentation, dishonesty, fraud or deceit in violation of 37 CFR §10.23(b)(4); and/or

c. Respondent's handling of all aspects of Nelson's patent application and failure to return Nelson's money constitute conduct which adversely reflects upon Respondent's fitness to practice in violation of 37 CFR §10.23(b)(6) and/or

d. Respondents conduct of filing the incorrect and incomplete revised application constitute neglect of a legal matter entrusted to him, and failure to act competently in violation of 37 CFR §10.77(c) and/or

e. Repondent's conduct in offering to return Nelson's money if Nelson agreed not to pursue other damages constitutes an attempt to limit his liability for personal malpractice in violation of 37 CFR §10.78 and/or

f. Repondent's failure to refund Nelson's money which Respondent did not earn constitute failure to promptly pay or deliver to the client as requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive in violation of 37 CFR §10.112(c)(4).

COUNT 3

By providing a client with incomplete and incorrect application to review; and by not promptly delivering to the client unearned fees and other properties in Repondent's possession belonging to the

client, Respondent engaged in professional misconduct in violation of 37 C.F.R. § 10.23(a), 10.23(b)(6), 10.77(c), and/or 10.112(c)(4)....

67. Respondent has knowingly participated in the course of conduct described in paragraphs 51 through 66 of this count, and as a consequence thereof, has been in violation of the PTO Code of Professional Conduct in the following respects:

a. Respondent's handling of all aspects of Palmer's patent application and failure to return Palmers disclosure materials and money constitute gross misconduct in violation of 37 CFR §10.23(a) and/or

b. Repondent's handling of all aspects of Palmer's patent application and failure to return Palmer's disclosure materials and money constitute conduct which adversely reflects upon Respondent's fitness to practice in violation of 37 CFR §10.23(b)(6) and/or

c. Respondent's handling of Palmer's patent application in preparing incorrect and incomplete applications constitute inadequate preparation in the circumstances and failure to act competently in violation of 37 CFR §10.77(b); and/or

d. Respondent's handling of Palmer's patent application in preparing incorrect and incomplete applications constitutes neglect of a legal matter entrusted to him, and failure to act competently in violation of 37 CFR § 10.77(c) and/or

e. Respondent' failure to refund Palmer's money which Respondent did not earn constitutes failure to promptly pay or deliver to the client as requested by the client the funds or other properties in the possession of the practitioner which the client is entitled to receive in violation of 37 CFR§10.112(c)(4).

***

[PTO 00507] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of

Enrollment and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK Respondent

MOTION TO PRODUCE EVIDENCE OF STATUTORY REQUIREMENTS OR, IN THE ALTERNATIVE, TO DISMISS COMPLAINT

Respondent hereby moves the court to require the Director to produce evidence that the Director has complied with regulatory requirements or, in the absence of such production, to dismiss the Complaint. The grounds for this motion are as follows:

1) This proceeding was initiated under the provisions of 37 C.F.R. 10.132(a)(b) which provides that the director must apply for and obtain a certificate of probable cause prior to and authorizing the filing of a complaint.

2) The Complaint in such a case should state that conditions expressed in the authorizing enactment have been made, or the Complaint is fatally defective. Neither the Complaint here nor any correspondence indicates that the conditions precedent to filing such a complaint have been meet.

3) If those conditions have in fact been met and only inadvertently omitted from the Complaint, the rules of procedure would permit an amendment and subsequent proof, which would probably be granted.

4) Accordingly, Respondent through counsel, orally requested of the Associate Solicitor on September 9 to provide the date the Director applied to the Committee on Discipline for a Certificate of Probable Cause in this case, the date the Committee acted upon that request and a copy of the Committee's action.

5) Initially, the Deputy Solicitor said it was in the Complaint. When he could not point out where in the Complaint that could be found, he said it was in the file and he would read it to me. After a few minutes waiting on the telephone, the Deputy Solicitor stated that he could not find it at that moment but would provide the requested information in a short time, as soon as he located it.

6) Repeat telephone requests by Respondent's counsel on September 10 and 11 produced the response from the Deputy Solicitor that the office was still "working on it."

7) On September 16, the day before Respondent was to review documents in the Deputy Solicitor's Office, Counsel for Respondent sent to the Deputy solicitor a written reminder of his promise to provide the information as to compliance with regulatory conditions, precedent. A copy is attached. It said:

> I want to confirm a few items regarding document production from the Patent and trademark Office regarding the above case.
>
> 1. You have said you would provide the Respondent with the date the Director of the Office of Discipline applied to the Committee on Discipline regarding this case, the date Committee acted on the Director's request in this case and a copy of the resolution of that Committee determining the existence of probable cause to bring charges in this case. Since

you have not provided these things, it can only be because the Director did not apply to the Committee prior to filing the Complaint in this case. If the Director did apply to the Committee regarding the facts of this case, we need to have you furnish the requested information at our visit tomorrow.

8) The following day, on the 18th at 10:15 a.m., prior to reviewing documents, counsel for Respondent asked for a response regarding the information concerning the Committee on Discipline. His reply was that he would be sending mea written response, but refusing to give the substance of the response.

9) Late that afternoon the Deputy Solicitor faxed a reply saying that nothing would be provided.

10) Because of these circumstances it seems clear that the Director has not complied with the regulatory requirements which are conditions precedent to make this proceeding lawful.

11) If the Director has brought an unlawful proceeding, it is necessary that the Director acknowledge that at once, or exhibit evidence that the conditions precedent have been complied with.

For these reasons the Respondent moves the court to order the Director to produce forthwith to the court and to the Respondent evidence that the regulatory conditions precedent to filing the Complaint here have been met, or in their absence, dismiss the Complaint.

Respectfully submitted,

/s/

Henry St. John Fitzgerald.

2200 Wilson Boulevard, Suite 800

Arlington, VA 22201

(703) 525 8753

***

[PTO 00516] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DECLARATION OF KAREN L. BOVARD

I, Karen L. Bovard, declare:

1. I am the Director of the Office of Enrollment and Discipline at the United States Patent and Trademark Office.

2. After the Office of Enrollment and Discipline conducted an investigation of John P. Halvonik, I called a meeting of the Committee on Discipline.

3. The Committee on Discipline reviewed the evidence concerning Halvonik and determined that probable cause existed to bring charges against Halvonik under 37 C.F.R. sec. 10.23(a), 10.23(b)(4), 10.23(b)(6), 10.77(b), 10.77(c), 10.78, 10.112(c)(4).

4. Pursuant to the directive contained in 37 C.F.R. sec. 10.132(b) I instituted a disciplinary proceeding by filing a complaint.

I declare under penalty of perjury that the foregoing is true and correct. Executed on September 23, 1997.

/s/

Karen L. Bovard

[PTO 00525] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DECLARATION OF KAREN L. BOVARD

I, Karen L. Bovard, declare:

1. I am the Director of the Office of Enrollment and Discipline at the United States Patent and Trademark Office.

2. After the Office of Enrollment and Discipline conducted an investigation of John P. Halvonik, I called a meeting of the Committee on Discipline.

3. On or about May 31, 1996, I presented evidence concerning John P. Halvonik to the Committee on Discipline.

4. The Committee on Discipline reviewed the evidence concerning Halvonik and determined that probable cause existed to bring charges against Halvonik under 37 C.F.R. sec. 10.23(a), 10.23(b)(4), 10.23(b)(6), 10.77(b), 10.77(c), 10.78, 10.112(c)(4).

5. To the best of my knowledge and belief, in or about June, 1996, the Committee on Discipline returned the attached determination of probable cause.

6. After receiving the Committee on Discipline's determination, I instituted a disciplinary proceeding by filing a complaint.

I declare under penalty of perjury that the foregoing is true and correct. Executed on October 9, 1997.

/s/
Karen L. Bovard

***

[PTO 00526] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE COMMITTEE ON DISCIPLINE

In re

John P. Halvonik — DETERMINATION OF PROBABLE CAUSE

The Committee on Discipline, having met on May 31, 1996, at the request of the Director of Enrollment and Discipline, [redacted] having reviewed the evidence presented by the Director, have determined, by unanimous vote, under 37 CFR sec.10.4 (b) as follows:

(1) There is probable cause to bring charges under 37 C.F.R. sec. 10.23(a), 10.23(b)(6) [redacted] against John P. Halvonik [redacted].

(2) That there is probable cause to bring charges under 37 C.F.R. sec. 10.23(a), 10.23(b)(4), 10.23(b)(6), 10.77(c), 10.78, and 10.112(c)(4) against John P. Halvonik [redacted].

(3) That there is probable cause to bring charges under 37 C.F.R. sec. 10.23(a), 10.23(b)(6), 10.77(b), 10.77(c), 10.112(c)(4) against John P. Halvonik. [redacted]

[redacted]

/s/ Philip G. Hampton, II

/s/ COMMITTEE

J. David Sams ON

/s/

DISCIPLINE

Bruce H. Stoner, Jr.

***

[PTO 00529] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of

Enrollment and Discipline

Petitioner

v.

Proceeding D96-03

JOHN P. HALVONIK

Respondent

MOTION TO PRODUCE UNREDACTED PROBABLE CAUSE DETERMINATIN, OR, IN THE ALTERNATIVE , GRANT OTHER RELIEF AS REQUESTED

On October 6, 1997, the presiding judge in this case ordered the government to produce a copy of the written determination of probable cause containing the signatures of the Committee and any documents supporting this analysis. On October 9, 1997 the government submitted a redacted document without asserting a privilege as to the redactions withheld from the Respondent. The government's submission fails to comply with the judge's order. In light of this, respondent move the Court to order the government to produce an unredacted copy of the document, or in the alternative claim a privilege, which presumably applies to the redacted material, and submit the document under seal for an in camera inspection by the presiding judge.

WHEREFORE, respondent prays that he Court grant the motion.

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[PTO 00546] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of

Enrollment and Discipline

Petitioner

v.

Proceeding D96-03

JOHN P. HALVONIK

Respondent

RENEWED MOTION TO PRODUCE UNREDACTED PROBABLE CAUSE DETERMINATIN, OR, IN THE ALTERNATIVE , GRANT OTHER RELIEF AS REQUESTED

On October 6, 1997, the presiding judge in this case ordered the government to produce a copy of the written determination of probable cause containing the signature of the Committee and any document supporting this analysis. On October 9, 1997, the government submitted a redacted document-without asserting a privilege as to the redaction withheld from the Respondent. Because the government's submission failed to comply with the Judge's order, respondent moved the Court to order the government to produce an unredacted copy of the document, or, in the alternative, claim a privilege, which presumably applied to the redacted material, and submit the document under seal for an in camera inspection by the presiding judge. The judge so ordered.

Thereafter, the government submitted an unredacted copy of the probably cause determination which after reviewing, the judge shredded. Respondent respectfully submits that the judge should make finding of fact and conclusion of law as to whether the redacted portion of the probable cause determination contains work product, or, perhaps some other privilege [PTO 00547] applies.[1] In order to obtain meaningful review of this decision in the Federal Court if this should ever be necessary, the judge should submit the document as an appellate exhibit under seal-thereby prohibiting respondent, or, anyone else for that matter, from reviewing the document save for proper reviewing authorities.

Wherefore, respondent pray that the Court grant the motion.

Respectfully submitted,

/s/
Henry St. John Fitzgerald.
2200 Wilson Boulevard
Suite 800
Arlington, VA 22201
(703) 525 8753...

[1] Presumably, this is why the judge shredded the document....

[PTO 00548] Certificate of Filing and Service

I David P. Sheldon hereby certify that on this 30th day of October 1997, I caused a true and correct copy of the foregoing Renewed Motion to Produce Unredacted Probable Cause Determination or, in the Alternative, Grant Other Relief as Requested to be delivered by first class mail, postage pre-paid to The Honorable Judge Delbert R. Terrill, Jr....

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[PTO 00580] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DECLARATION OF PHILIP G. HAMPTON, II

I Philip G. Hampton, II, declare:

1. I signed the attached determination of probable cause within 10 business days of My 31, 1996.

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 6, 1997.

/s/
Philip G. Hampton, II

***

[PTO 00583] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DECLARATION OF J. DAVID SAMS

I, J. David Sams, declare:

1. I signed the attached determination of probable cause within three business days of My 31, 1996.

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 6, 1997.

/s/ J.
David Sams

***

[PTO 00586] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DECLARATION OF BRUCE H. STONER

I, Bruce H. Stoner, declare:

1. I signed the attached determination of probable cause prior to fiscal year 1997, which commenced October 1, 1996

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 6, 1997.

/s/
Bruce H. Stoner

***

[00647] UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE ADMINISTRATIVE LAW JUDGE OF THE DEPARTMENT OF COMMERCE

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DIRECTOR'S PRE TRIAL BRIEF

...As requested by this tribunal the following is a brief overview of the charges brought against respondent, John P. Halvonik...

[PTO 00649]...Although the PTO did not adopt the broader definition requiring multiple acts, the remainder of the ABA definition properly focuses the elements of neglect on an attorney's indifference or disregard of a client matter. See Kansas v Dixon, 664 P.2d 286, 289 (Kan. 1983) (quoting ABA Informal Op. 2173) ("neglect involves indifference...or a conscious disregard for the responsibility owed to the client.")...

[PTO 00650]...Halvonik mailed Nelson a copy of the October 21, 1992 draft h filed with the Office. Nelson immediately contacted Halvonik and informed him he had either mailed the wrong version to Nelson or that he had filed the wrong version at the Office. Halvonik represented to Nelson that he would check on the matter, but instead never informed Nelson of the status of the application nor informed Nelson which draft actually filed until early February, 1993. Additional evidence will show that Halvonik was indifferent to his clients and that he ignored his clients communication throughout their representation....

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[PTO 01102] ETHICS AND PROFESSIONALISM

by

HARRY I. MOATZ

OFFICE OF ENROLLMENT AND DISCIPLINE

U.S. PATENT AND TRADEMARK OFFICE

INTRODUCTION

The Government attorneys who file patent and trademark application before the Patent and Trademark Office (PTO) must be familiar with the PTO Code of Professional Responsibility (PTO) Code. This paper includes citations to cases for most of the discipline cases decided since 1985, and it highlights practices which may help to avoid or minimize complaints and malpractice. This paper does not purport to present similarities and difference between the PTO Code and the ethics codes or rules of various States or the District of Columbia.

II APPLICABLE CODES OF CONDUCT...

***

[PTO 01107]...VI Disciplinary Proceedings

The decision to initiate a disciplinary proceeding, i.e. bring charges, against a practitioner is not made personally or soley by the Director of OED.

If after an investigation the Director is of the opinion that the evidence establishes a willful violation of disciplinary rule, the Director must bring the evidence to a Committee on Discipline. The Committee on Discipline functions as a mini grand jury. If after considering the evidence, the Committee Determines that there is probable cause to ring charges against the practitioner, only then is the Director of OED authorized to initiate a disciplinary proceeding.

At this time, the Committee on Discipline is made up of the Chief Administrative Trademark Judge of the Trademark Trial and Appeal Board, the Assistant Commissioner for Patents and the Assistant Commissioner for trademarks.

***

[PTO 01126]...

ETHICAL CONSIDERATIONS IN TRADEMARK PRACTICE

Karen L. Bovard

United States Patent and Trademark Office

Washington, D.C.

[PTO 01127] ETHICAL CONSIDERATIONS IN TRADEMARK PRACTICE

By Karen L. Bovard

I. INTRODUCTION

The rules governing the conduct of agents, attorneys, and other persons representing applicants and other parties before the Patent and Trademark Office (PTO) are found in 37 CFR Part 10. This PTO Code of Professional Responsibility consists of 9 Canons which express the general standards of expected conduct and 38 Disciplinary rules which state the minimum level of conduct acceptable by practitioners....

[PTO 01128] INTA 1995 ANNUAL MEETING 3

...D. The Committee on Discipline

The Committee on Discipline, described in 37 CFR 10.4 functions in the manner similar to that of a mini grand jury. The Committee members review the formal Complaint which sets forth one or more counts, each describing an alleged violation of the Disciplinary rules. The evidence to support each count is attached to the Complaint. The Committee deliberates in closed session, and by majority vote determines, as to each cont in the formal complaint, whether there is probable cause to bring charges against the practitioner. The deliberations of the Committee are not subject to discovery. If the Committee determines that probable cause exists to believe that the practitioner has violated at least one Disciplinary Rule, a disciplinary proceeding may be initiated by the Directory by filing the Complaint with an Administrative Law Judge in the Department of Commerce....

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[PTO 01133] PATENT AND TRADEMARK DISCIPLINARY RULES

BY CAMERON WEIFFENBACH

35 U. S.C. 31 authorizes the Commissioner to "prescribe regulations governing the conduct of agents, attorneys, or other persons, representing applicants or other parties before the Patent and Trademark Office...' 35 U.S.C. 32 provides in part, the Commissioner may, after notice and opportunity for a hearing, suspend or exclude, either generally or in a particular case, from further practice before the Patent and Trademark Office, any person, agent or attorney shown to be disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under...[35 U.S.C.31]. under the rule making authority of th Commissioner, the Commissioner has established rules governing applicants and other parties before the Patent and Trademark Office. These rules constitute Part 1-0 of Title 37 of the Code of Federal Regulation..

***

[PTO 01135] The Committee on Discipline functions in the manner similar to that of a mini grand jury. The members of the Committee consist of the chairman and vice chairman of the Board of Patent Appeals and Interferences and the chairman of the Trademark Trial and Appeal Board. The fist step in initiating a disciplinary proceeding is to prepare a charging document in the form of a formal Complaint pursuant to Rule 10.134. The Complaint sets forth one or more counts, each describing an alleged violation of the Disciplinary Rules. The evidence to support each count is attached to the Complaint. The Complaint is presented to the Committee on Discipline. The Committee deliberates in closed session, and by majority vote determines, as to each count, whether there is probable cause to bring charges against the practitioner. The deliberations of the Committee are not subject to discovery. If the Committee determines that probable cause exists to believe that he practitioner

has violated the Disciplinary rules, a disciplinary proceeding is initiated by the Director of Enrollment and Discipline...

***

[PTO 1144] Fee Disputes. The Office will not resolve fee disputes. Such disputes involve contractual matters, which are best handled in the courts. However the Office will inquire, where appropriate, into allegations that fees are excessive or unreasonable. Normally fee disputes arise when the client is uninformed about the details of fees. A common mistake is for the practitioner to tell the client that he will obtain a patent for the client for X dollars, and then after the first office action, charge the client an extra Y dollars for an amendment. The client should be informed of all fees to e charged for preparing and filing the application as well as being informed of the approximate fees and costs which could be expected to be charged for consultations ,amendment, interviews with the examiner, letters and negotiating and preparing licensing agreements.

***

[PTO 01947] JUDGE TERRILL Is there some reason why I should allow you to expand the pre-hearing list when this was-it's not like Mr. Baer was operating pro se at the time. He had counsel. Why should I allow you to expand your pre-hearing list?

MR. FITZGERALD The reasons for that came up after the dispute arose about whether the government had actually done what the code required it to do in setting up the jurisdiction of this procedure. Your Honor has been given a piece of paper that says that three people approved the action.

JUDGE TERRILL And signed it.

MR. FITZGERALD And signed it. The code requires-

JUDGE TERRILL Do you have any doubt that those are not their signatures?

MR. FITZGERALD No, I think those are the signature, all right, but

there's considerable doubt as to whether they did what the code requires, and that is, have a meeting of the Committee on Discipline and a vote so they don't just circulate it around the office and get signature on it. We think that's what they did. There's no indication they-

JUDGE TERRILL: Well, are you telling me that the meeting of the Committee on Discipline can't be circulating a document for each individual person to review and take what we call in the government, particularly in the military, a chop on the document?

MR. ITZGERALD: I am. I am. The code requires a meeting, and it requires a vote.

JUDGE TERRILL: Well, I understand a meeting and a vote. I don't know why that can't be done by circulating...

MR. FITZGERALD: Because they can't discuss it with each other, they can't turn-discuss back and forth at a meeting.

JUDGE TERRILL: Who says that that's required?
MR. FITZGERALD: What?
JUDGE TERRILL: Who says that that's required?
MR. FITZGERALD: The code says meeting. You cant' have aboard of director's meeting, get a group of signature of a majority by circulation. You have to have meeting. Meeting means meeting, and that's our position. If you don't agree with us, I don't need to argue it ad infinitum. But the code says you have to have a meeting, have to have a meeting of the whole committee.

Now they've identified about five members of this committee-or six. We got the names of six or seven members of this committee published by the [PTO 01948] Patent Office. They got the signatures of three of them. If there's six people on the Committee they don't have a majority.

JUDGE TERRILL Is there a requirement under the rules that they have the full six people or they can't empanel a smaller panel under the rules?
MR. FITZGERALD It doesn't have any reference to that at all. It says the committee.

JUDGE TERRILL Well, but it doesn't then preclude it, does it?
MR. FITZGERALD It does until they prove that the committee had done something like that. Now the code doesn't say that they can have panels or subsections or subcommittees. The code says committee. And it says the committee must vote and majority of that committee must vote affirmatively for the action. And if there's six people on the committee, the signatures of three people on a piece of paper doesn't meet the code requirement.

JUDGE TERRILL: Well, I'm not going to have them be called to testify substantively here, but if you want, I'm going to grant you the opportunity to call them strictly for the purpose of reviewing that. And contrary to the government's concern, we will have that mini trial if there is a question about the due deliberation here. I would prefer to have done this earlier so that we're not actually doing this at this pint in time. So what I'm going to suggest is that we'll complete the government's case, and then you call those witnesses, first and we'll pursue that, because I don't want to go forward with our case if, in fact, they haven't done what they're required to do under the regulation.

MR. BAER: Your Honor, with all due respect, we are not going to produce those witnesses voluntarily. There are regulations-

JUDGE TERRILL: Well you'll be ordered to.

Mr. Baer: There are regulations, Your Honor, how government witnesses shall be authorized. I don't believe I have the authority to even tell these people to show up.

JUDGE TERRILL: Well, you're not going to have to worry about that, Mr. Baer, because guess what? I'm directing you to do it.

MR. BAER: You Honor, with all due respect, I believe we'll be taking an immediate appeal to the Commissioner.

JUDGE TERRILL: Well you can do that.

MR. BAER: Okay.

...JUDGE TERRILL: Mr. Lehman.

MR. BAER: Mr. Lehman.

JUDGE TERRILL: All right. Well then he would be the one that you'd want to take this issue up with, but I'm granting the motion in limine-I mean., I'm not granting the motion in limine to exclude testimony of witnesses not identified in the pre-hearing statement, I'm going to allow them to pursue this issue. If in fact, there is some concern here- because I do note that there were only three people that signed that, and if the regulations require that it's to be the full committee and that they meet, actually have a formal textual meeting, then I'm going to want to know what is the regular order. And if this case was treated outside the regular order, then you know, so be it. The chips fall where they may. But if there's a permutations or combinations of how the committee operates, well then, the chips fall that way, too, and we'll just find that out.

MR. BAER: Your Honor, there is no regulation. The committee is three people. I turned over to Mr. Sheldon on Friday the Department-I could be misstating the exact term. The Department administrative order, I believe, Patent and Trademark Office, that says the committee is three people. It's been produced to Mr. Sheldon. The point is the determination of probable cause.
JUDGE TERRILL: See, I'm not aware that because you asked me not to look at what was sent to them, so I've destroyed that.

MR. BAER: I understand. That was sent by mistake.

JUDGE TERRILL: Right, and when you said that, I diligently went and destroyed it, so I don't' have any of that of record and of knowledge. Accordingly, I'm operating in the blind and given what I know, at this point in time, I Have to go forward with what I've chosen to do. And that's what we'll do. We'll have these people testify if you want to submit something to me in reconsideration, that gives me some information so I have a better idea, I'll reconsider the matter. But at this point in time, respondent has made a proper proffer. We'll go from that.

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[PTO 01979] MR FITZGERALD: No; the title. The title; he doesn't name people. But we have checked , and the people who held the jobs at the time Moatz was making the speech were Sams, Gaffney ,and Hampton.

JUDGE TERRILL Okay.

MR FITZGERALD: Assistant commissioner for Trademarks.

JUDGE TERRILL So in other words, everything is right other than the fact that Mr. Stoner is now standing in for r. Gaffney, and is Mr. Stoner now serving as the assistant...

MR BAER.: No, Mr. Stoner is the head of the Board of Patent Appeals and Interferences.

MR FITZGERALD: Weiffenbach-just to continue the same line-Weiffenbach's speech, some time after '91 says that the members of the Committee consist of the chairman and the vice chairmen f the Board of Patent Appeals.

Now the chairman was Stoner. The vice chairmen were two people-Harkin and Schaefer-and the Chairman of the Trademark Trial and Appeal Board, which is Sams again.

MR BAER.: Your Honor, they're reading the old rule which listed the people on the Committee on Discipline by title, and you have a copy of the old-

JUDGE TERRILL I'm not worried about the old rule because the old rule wasn't' operative at the time the complaint was failed against-...

MR FITZGERALD: We might find out a lot from Sams.

IUDGE TERRILL Well that's fine and that's why I'm saying, I'm going to have Mr. Sams come here and testify, and we'll find out the answer to these questions as to why and how and if there are floating appointments to this Committee on Discipline and if not. And if there are, if they're not. Because you know perhaps that record needs to be fleshed out for future actions

MR FITZGERALD: Sams is the one that has been-has appeared in every one, any time anybody described this committee, they had him on it.

MR BAER.: Your Honor, would you certify this issue for immediate appeal?
JUDGE TERRILL I am so doing right now. I'm calling Mr. Sams to testify, given the fact that we have representations of counsel, and I want to take the-what document are you reading from with respect to the '95 speech by Moatz?

MR FITZGERALD: There are two speeches, they're old Bates 1107 through 11 well, starting at page-this is in the appendix. Your Honor originally.

MR BAER.: Your Honor I need a clarification. That was never in the appendix and was never taken out by the Government. those are documents we produced during discovery.

JUDGE TERRILL Right. Okay. Well they're nevertheless available and-

MR BAER.: I understand, but he's making representation-

JUDGE TERRILL Right, thank you for-

MR FITZGERALD: I'm sorry. You say they're not independent?

JUDGE TERRILL They're not in the record at this point in time.

MR FITZGERALD: All right.

JUDGE TERRILL: So I'm going to ask that you submit them to the record for the purpose of this ruling, so that I have the basis upon which you're contending that there appear to be other people appointed to the Committee on Discipline.

MR FITZGERALD: It's 1102 and 1133, are the two Bates numbered pages.

JUDGE TERRILL All right Mr. Fitzgerald, I need them.

MR FITZGERALD: I'm sorry?
JUDGE TERRILL I would like to get a copy of them.

MR FITZGERALD: You've got it.

JUDGE TERRILL I don't have them. They're not in evidence. They're just discovered material.

MR BAER: In addition Your Honor, the page that the Government already gave you-

JUDGE TERRILL I know it, has the other two, but that's less problematic to me, to be honest with you, because it's a 1985 date, and you know, I'm wise to the world. I mean this is 12 years later and people do come and go, but 1995 is much more proximate in time, particularly given to the time in which the complaint was eventually filed against Mr. Halvonik.

MR BAER.: Your Honor I would note for the record that appellate courts routinely meeting three judge panels and they don't have to get together to vote and discuss.

[PTO 01979] JUDGE TERRILL: Mr. Baer, you're absolutely right. That's why I want to know what the regular order is in which the Committee on Discipline operates. All I'm asking to know is that it followed its normal due process procedures in this proceeding against Mr. Halvonik.

MR. BAER: I understand that concern, Your Honor, and that does start to delve into the deliberative process-

JUDGE TERRILL: Absolutely not. I'm not asking about substance at all. I'm not going to ask them how they evaluated the case against Mr. Halvonik. I'm not even going to keep in my record the memoranda that you filed because I felt that it substantively showed a deliberative process. Absolutely not.

All I want to know from Mr. Sams is whether or not the Committee on Discipline for these types of action meets, physically, in some cases, whether it meets in some and not others, and if it does these cases in a coordination process, and if this is the first and only case that's been by coordination, then we'll have to take that up when it comes.

MR. BAER: I don't believe you'll find any evidence of that.

JUDGE TERRILL: Well, I may not; you know. I mean, I'm not prejudging anything. I don't assume anything.

I just know that I have before me information that seems to not square itself and you've presented me things that are helpful.

I understand that it's a three person body, but why do we have more names than three at this point in time?

MR. BAER: Your Honor, I just want to make clear that we will be appealing this to the Commissioner and I will try to have Mr. Sams here, but I don't know if I have that authority, to make him testify.

JUDGE TERRILL: How will we know that?
MR. BAER: I'll have to contact...

JUDGE TERRILL: Well, you let me know and if you're not going to be able to get him here, I will have Mr. Fitzgerald submit a subpoena and I'll issue a subpoena for his testimony.

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[PTO 01998] JUDGE TERRILL: On October 14th, respondent then requested an unredacted version of the determination. On October 28, 1997, the government counsel indicated that they would not desire to do so and provided further response to the motion for an unredacted version. The undersigned then directed that the unredacted version be provided to the undersigned in camera. It was done so. The undersigned reviewed it, determined that it contained, in fact, deliberative process and attorney work product, and this was done on October 29th, and then shredded the document.

On October the 30th respondent renewed his motion, which again was denied, and on November 3rd, then government moved to exclude certain witnesses from the witness list, provided by the respondent, indicating that such witnesses in part would be duplicative and for other reasons did not choose to have these witnesses appear.

The undersigned agreed-I mean, this court agreed that such witnesses, would be duplicative. However, this court granted the respondent the opportunity to call one witness that he chose to ensure that the process leading up to the complaint was, in fact, according to the rules of the Committee on Discipline.

As of yesterday, Mr. Baer, government counsel, had been requesting a reconsideration of that decision. I asked for information from both participants as to the reasons why Sams should be called to testify, and given that the law is that government officials are presumed to follow regular order and in order for that presumption to be overcome there has to be something on the record of evidence. It cannot be just another presumption or argument by counsel. Counsel has proved to the undersigned, or to this court, counsel for respondent has provided a copy of an agenda, Feb. 8, 1995 in which one Harry Moatz, Office of Enrollment and Discipline the Patent and Trademark Office, the person who the undersigned is aware had participated in this very case, given [PTO 01999] that his appears on documents that were released forwarded by certain complainants about complaining parties or clients of the respondent. So obviously he is a person of knowledge in this particular case and had knowledge in the process leading up to the issuance of a complaint.

I understand that the date of his speech pre-dates the ne rules which have been issued, accordingly, in 1996 so in terms of the substantive comments that he makes in terms of procedures, those are probably ante dated by-or post dated by subsequent issuances of regulations

However and with respect to this issue, I don't give much weight to Mr. Weiffenbach's presentation. It's long before much of what taken place here. However government counsel did respond and they provided appointment letters indicating that in fact there are five people on the Committee on DisciplineI have no reason to know why others are not on that Committee.

With this as a backdrop, government counsel should understand that this court has fled that it's been pulling teeth in order to get the government counsel to provide what this court deems as

an appropriate request by the respondent in this matter to determine that, in fact, the complaint lodge against him has been followed-has followed regular procedures.

Now they cannot, do that on a whim, but they do have some degree of evidence that counters your presumption of the regular order. Given that, I would like to hear argument by both counsel as to what evidence you have that either supports the presumption that government officials conducted this matter-I have the motion for reconsideration before me, and that's what we're going. I'm reconsidering it at this time.

I would like to hear what evidence you have that supports your contention that the presumption either should be granted to the government or not granted to the government. And since you're the proponent of the effective proposition, you will get first and last word. Mr. Fitzgerald?

[MR FITZGERALD]: One thing that we have in our position, which is not necessarily final-you Honor has possibly indicated some basis for possibly disagreeing with it. But if you look at the Code of Federal Regulation which sets this off, it does clearly indicate and even the speeches that we gave you, which might not be of legal authority or prudential value, never the less indicate the understanding of the office and the practitioners that this Committee on Discipline serves as a protective insulator between the prosecutor and the defendant. They call it like a min rand jury.

JUDGE TERRILL I understand all that My question is What evidence do you have that the regular order was not followed in this case that I Have before me
[MR FITZGERALD] All right. I'll get to the evidence. The evidence has to do with who's on it and what they've been doing, but the point that I want to stress is that the regulations say the committee shall meet, as a meeting, as a vote, vote decide by a majority vote. There's a provision in there that their deliberations are protected from discovery. You cannot read that section without concluding that the code requires that there be a meeting and that

the members of the committee must meet. So that if you have five people o the committee and you invite three of them to a meeting and you get those approvals, you don't' have a vote of the committee. You have to give notice to the five members on the committee, if there ear five, and the theory behind that goes way back.

...JUDGE TERRILL I understand that we have some degree of problem with the names, but I'd like to know why you would have me believe that they did not meet. What evidence is there before me that they did not meet?
[MR FITZGERALD] The evidence before you there, just on that very point, which is enough to dispel the presumption and make- provide a basis for this court to look into it, is the fact that you have five people on the committee, you have a decision by three, you have a decision by the agency that there will be only three members, but it doesn't say which three. For all we know, they took three that they liked and got their decisions on this piece of paper that they signed. What evidence is there that the three who signed Halvonik's indictment or probable cues determination are among the three that made it. If there were five before the agency decided to cut three, who knows whether those -two of those were actually left off and the two people that were among the five originally are still on the committee? There's no indication which there made it past the determination point if that is determined to be correct...

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[PTO 02001] JUDGE TERRILL: Well you don`t get discovery. Discovery is over with. As indicated in my order, if you read the law, you can raise subject matter jurisdiction. All right?

MR. FITZGERALD: Right.

JUDGE TERRILL: Yes, you can raise subject matter jurisdiction. You can't raise personal jurisdiction. I've gone through the law, given you the law of the land there. Don't talk about it in terms of discovery. It wasn't granted in discovery.

MR. FITZGERALD: I'm not arguing-

JUDGE TERRILL: You had discovery. Your prior counsel had discovery. You're dealt with the basket that he left.

MR. FITZGERALD: All right, I'm not talking about discovery. I'm talking about the substantive jurisdiction where it's their burden to prove that they complied with this mini-grand jury procedure in accordance with the code. They have to prove it. We have asked for the document. They don't produce documents indicating that these things happened the way they're supposed to have happened. We produce evidence of five members of the committee, a regulation that says there are only three, a piece of paper that shows no date on it, and that is studied. That is carefully done. There is no reason to believe that they prepared that piece of paper with no date on it accidentally. There's no reason why that statement by those three people shouldn't have the date on it that it was signed except to mislead this court to think that it was done substantially earlier.

That's it.

JUDGE TERRILL: All right let me ask you a question. Do you have a whistleblower within the office that's telling you that this thing was not done through the regular order, through the regular process?

MR. FITZGERALD: We do not.

JUDGE TERRILL: Well what tells me that they didn't meet? I mean, that they actually didn't meet and deliberate? I understand we have a problem with when they may have signed off on it., but I still don't-

MR. FITZGERALD: The answer is-

JUDGE TERRILL: -for the life of me, know-

MR. FITZGERALD: -you can presume a jurisdiction-

JUDGE TERRILL: No you can presume-no you can make the presumption that government officials operated in the normal course of their require responsibilities. That is the law of the land. It is your burden to overcome that presumption. They don't have to have the

burden to come in and show that the government official came in and did what they were required to do. There's a presumption. The law presumes that government officials do what they're required to do. The burden is on you to come forward with sufficient evidence to overcome that presumption, and that's what I'm asking you for.

What evidence do we have on the record that I should be looking at that will tell me to overcome that presumption?

MR. FITZGERALD: One answer would be Judge, we can't' produce it without the testimony of witnesses. We have asked for Mr. Sams. He will tell you, if he appears here, whether they had a meeting-

JUDGE TERRILL: Yes, but see, that's a fishing expedition. You see, you have to give me something before that, before I even require to have them do that.

MR. FITZGERALD: We've provided a predicate on which we can ask for the testimony of this man, who has been on the committee by all standards from the very beginning, ask him who have you served on- who has served o this committee with you from the beginning?

JUDGE TERRILL: Mr. Fitzgerald I don't doubt his quality and his qualifications to be a witness. All right? I'm asking you what you have that overcomes the presumption. The burden is on you. You need to overcome the presumption. What should I be looking at other than the fact-I mean, you can disregard the fact of the date. I feel that that's some evidence that pushes the presumption. All right? I need to know if you have something else.

MR. FITZGERALD: The answer-one answer to that is, Judge, how can we do it without a witness? We are asking for-

JUDGE TERRIL: Well that's-

MR. FITZGERALD: The attendance of-that's the evidence that we need.

JUDGE TERRILL: That is the problem with every party in any government proceeding where the government is the other side.

That is-I mean that's why there are government whistleblowers. That's why there's discovery. You find documents in the discovery process that leads you to question the subject matter jurisdiction, which you can then raise. But I mean that's why I'm asking you. Did you fid something in discovery? Where are we at?
MR. FITZGERALD: You shouldn't deny the accused the opportunity to put on evidence in his own defense, which would defeat jurisdiction. That's it. You can't get behind their stone wall to find out what they did. Mr. Sams on the stand he'll probably say: No we never met, we review these things one at a time. We get a package we look at the; I sign off, then I send it on to the next.

JUDGE TERRILL: And if he says that that's the regular order that they do it, then that's it.

MR. FITZGERALD: If that's true. I understand your Honor would probably approve it. We would not.
JUDGE TERRILL: Well, you may not like it, but that's if that the normal process, I would have no problem with it.

MR. FITZGERALD: And suppose he says no. We just started that, this is the first one we ever did?
JUDGE TERRILL: Then we'll have to-that's a bridge I'll cross when I get to it.

[PTO 02002] JUDGE TERRILL: What do you have that affirms the presumption that your government official did this in accordance with Hoyle? Everybody understands what I mean when I say Hoyle, I assume.

MR. BAER: Yes, Your Honor. I would start with the Bovard affidavits. She clearly says, I called a meeting of the committee on Discipline. I presented evidence to them.

Then if you look at the committee's written determination-

JUDGE TERRILL: Why the first memo did not include dates, specifics?
MR. BAER: Your Honor, the issue was did she call a meeting. That

was all they were alleging, that she never did this. So the first affidavit said, I called a meeting. The committee looked at the evidence. We didn't include dates because we didn't think it was necessary.

JUDGE TERRILL: Why does the probable cause determination have no date for signatures?

MR. BAER: I don't know, Your Honor. I simply don't know. To suggest that we doctored this thin up in the last month or two is just outrageous.

JUDGE TERRILL: I'm not saying that you doctored it up. I'm just saying that they met but they failed to do the-what this leads one to conclude is perhaps they met and that they didn't get around to doing the paperwork until later. I mean, that's what, you know-

MR. BAER I understand Your Honor's concern.

JUDGE TERRILL: I mean, there's an inference that arises from government documents when the, you know; leave out certain information and this is true with any evidentiary piece of material. If there is an omission there is an adverse inference against the proponent of that document that's three for some reason-its not there for some reason, all right? So I mean that's weighing strongly against the presumption in my mind at this point.

MR. BAER: Your Honor, we have an affidavit from Karen Bovard saying that in or about June '96 the committee returned the attached determination of probable cause. That's a sworn declaration under penalty of perjury.

I'm not suggesting that you suggested that we doctored up this document. That came from Mr. Halvonik's counsel. That's just outrageous, because if we were going to doctor it up we wouldn't put stuff in it that we didn't want anybody ever to see. It's ridiculous.

I share your point that there's no date on the signature line. As we have been arguing form the beginning, there's no requirement in the rules for a written determination. Mr. Halvonik's counsel has

been arguing that there's a certificate of probable cause that's required. It's just not true...[PTO 02003] JUDGE TERRILL: Mr. Baer, let's be real lawyers Let's look at the Bovard memo, those second time submitted. Take a real close reading of it. Does she say that the committee on Discipline issued the finding of probable cause on or about June of 1996?
MR. BAER: Your Honor, it says to the best of her knowledge and belief.

JUDGE TERRILL: Read the rest of it.

MR. BAER: In or about June 1996, the committee on discipline returned the attached determination of probable cause.

JUDGE TERRILL: Returned it. What does that mean? I mean, to mean that means they could have returned it physically back to them without taking any action. I mean, see, I can't when it's not specific it leaves me with a discomfort. You've got an undated document and then you've got a statement that could be an attribution that could be read a number of different ways.

MR. BAER: Your Honor, I think you have to read it in conjunction with-

JUDGE TERRILL: I understand that but that's not-it shouldn't-I shouldn't have to be making-I shouldn't have to be making-I shouldn't have to be interpreting favorably one way or the other. It ought to be just ironclad clear, all right?
MR. BAER: Your Honor, I think it is because-

JUDGE TERRILL: Well, I don't think it is. I think it tells me that-I don't know what she means by, having returned the attached determination of probable cause.

MR. BAER: Could I explain, Your Honor?
JUDGE TERRILL: Sure, I mean, if she meant returned in the sense of a grand jury returning an indictment, I understand. But I mean returned, if she meant it in terms of physically returned it, I don't know what it means...
JUDGE TERRILL: Well put it this way, I think it lends it-it leaves open room for interpretation, and I don't know the writer's clear

intent by that statement. And when it leaves me0it leaves me a degree of discomfort.

Now it's certainly not as great as the-I'm just saying, you have to understand. I'm looking at this in a cumulative sense, form the very beginning of the first Bovard memorandum to the second memorandum, to an undated signed issuance of a probable cause determination. When you start to roll that over it has a cumulative effect.

It's like taking metal filings on a magnet and you start circling the magnet over the metal filings and all of the sudden the magnet starts to take on a form of a different shape.

MR. BAER: Your Honor, if you need a better explanation from Karen Bovard, another declaration, we can perhaps provide that.

JUDGE TERRILL: No, I want to go to the committee. That's why we're here talking about Sams. Mr. Baer, go ahead.

MR. BAER: I would also argue that the-maybe I've already said this-the board determination, they say they met on May 31st. 1996. They say they reviewed the evidence, and then they go onto say there is probable cause.

JUDGE TERRILL: Right. The question is when did they conclude probable cause. I don't have a doubt for a moment that they met on that date. You know, what happened between then and the issuance of the complaint? I don't' know. And I'm left to have to conclude that there's an adverse interest at this point because those signatures-they don't say that they met and decided. I mean read that memorandum closely, the issuance of the probable cause.

MR. BAER: Your Honor, to find there's probable cause they would have to decide that. I don't know how else they would determine that there's probable cause if they didn't decide something.

JUDGE TERRILL: Let me get it real quickly. I'll show you exactly what I mean. I've gone over this a number of times.

MR. BAER: They also say, Your Honor-they do say they have determined. They say, having reviewed the evidence presented by

the director have determined by unanimous vote-it goes on-that there is probable cause.

JUDGE TERRILL: Right, right. When? When? It just says they met. They didn't say, having met and determine on May31st. They said they met on May31st. I have no doubt that they reached a conclusion. The question is when did they reach that conclusion and did it pre-date the complaint as required by your rules? Or did, as Mr. Fitzgerald is concerned, that he raise this matter and all of a sudden the process realized we hadn't crossed the T's and dotted the I's, and all of the sudden they're scrambling back to cover that base.

I, you know-for one felt that there is some sufficient-well there is a degree of information here that is undercutting your presumption... [PTO 02004] MR. BAER: Your Honor, the evidence that they allegedly have always lists three people on the committee on discipline-always three people...

JUDGE TERRILL: No, I don't have any doubt about it being three. Their information even says it's three. The question is which three? Which three, and how did you get these three as opposed to Serota and Calvert not being part of the process?

Look, I mean I don't-that's an argument, has some weight. It's not as troubling. The big troubling part is the missing date on the deliberations.

MR. BAER: Your Honor, there's no way to go back and correct what happened in 1996. We can't

JUDGE TERRILL: Oh, yeah, there's an easy way to do that. You have one of the board members come in and say-or there are other means.

MR. BAER: Your Honor, if the solicitor approves the testimony then I'll be happy to have that person here. I think that person will take these outrageous speculations and disprove them. But Your Honor, I just cannot, under the rules, tell a person to show up and testify when they have not been given prior authorization.

JUDGE TERRILL: I understand.

MR. BAER: Mr. Fitzgerald, had not asked until 10 a.m. this morning, ever, to have these people approved. They just simply haven't followed the rules, I understand Your Honor's-

JUDGE TERRILL: The other problem is you've got Bovard saying, to the best of my knowledge and belief, to. She's not saying they did. You know, I mean, that's-I mean, when I start to look at these thing and I see them, cumulatively having room for wiggle. I don't like it. I really don't' And I'll just be real frank about.

All right I'm prepared to rule, you know. What I'm going to ask the Government to do is I want affidavits, signed, sworn affidavits from any of the-every one of the members of this committee on discipline telling me how-when they met, how the meeting took place, and in what form did they do it. By coordination? Did they do it by-did they actually meet and deliberate. And that they signed off-and the date they signed off on that document from all three of them, all right?
MR. BAER: Your Honor, I will try I believe even that order is subject to 15 CFR rules.

JUDGE TERRILL: Well, look, let me tell you, I'm not asking to know about the substance of the deliberation. Not at all. You have the perfect right to keep that within the deliberative process.

MR. BAER: May I explain Your Honor?
JUDGE TERRILL: No, I don't need to hear it. Le me tell you, you need to let me know that this process was done according to Hoyle. You don't, and I'm return-I'll tell you right now what the remedy will be. I'm not going to dismiss this. I'm going to return it to you, the file to your department and your agency for your further consideration of what you want to do. You find another judge to do it. Because I'm telling you I'm not going to proceed. All right?
MR. BAER: Your Honor may I pleas just make the record? I do not mean to be disrespectful.

JUDGE TERRILL: No, I know-Mr. Baer, I have never thought of you as being disrespectful whatsoever.

MR. BAER: But I have not been able to put this on the record yet. 5 CFR part 15(a) requires and if I could quote, It's section 15(a)(3)...

No, it is not me who's saying I cannot do this, Your Honor. There are procedures. I will take this order that you just gave to us, and I believe we might be able to have some compromise that-part of the reasons for the rules, sometimes there are-

JUDGE TERRILL: Well, this is not a negotiation, Mr. Baer, let me assure you. I've told you what I need. I need the affidavits from these individuals with the information I've indicated. All right?

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[PTO 02020] MR. BAER: Your Honor. I think this is just another attempt to delay this hearing further and-

JUDGE TERRILL: Well, look, he's got a right to make sure that you have complied with what are the legal requirements to get this matter to hearing. I mean it's not a matter of any subterfuge. I mean the fact of the matter is if you didn't do this and you haven't complied, for some reason your rules aren't required to comply with 558(c).

MR. BAER: Well, the rule, itself, Your Honor, actually-and I'm quoting 37 CFR 10.132-says the director shall after complying, where necessary, with the provisions of 558(c), call a meeting. And we don't believe it was necessary in this case of the public interest and willful conduct.

The statute, you know, clearly sets out that those are exceptions where a person doesn't have to be given a chance to basically a get out of jail card free, or I can't remember the Monopoly term. Mr. Halvonik cannot violate these rules and then say, well, you haven't told me I have to come into compliance. He knew what these rules were.

JUDGE TERRILL: That's not Mr. Halvonik, this the law of the land saying that if you are going to suspend somebody, unless it's willful or it falls within the public health interest or safety that you're

required to give them notice and an opportunity to demonstrate or achieve compliance.....JUDGE TERRILL. I will suspend, You get the rule's history here and let's take a look at it and see whether or not the way the notice and comment period when and what the history is that led up to the publication of your rules and how they dovetail with 558(c). I don't know what else to do in the interim.

MR. FITZGERALD: What he's reading to you shows that 558(c) doesn't, in these licensing things for patent attorneys, doesn't include the public interest. They say themselves they have to comply with it. There are two levels there. The Congress has said no agency in the United States shall suspend a license without giving the 558(c) warnings.

JUDGE TERRILL. Except if they are willful and fall into the exceptional categories.

MR. FITZGERALD: I'm just stating that's applicable to all agencies. The Patent Office has adopted for itself a mini-version of that rule and told the director that the director of this one shall not call a meeting of the committee on discipline until compliance with 558(c). That's two different things.

JUDGE TERRILL: I understand. If they are required to comply with 558(c) in the particular circumstances of their case. That means that if the guy was a simple negligence case then they don't need to, they need to give them the notice and opportunity to remediate. If it is not in some case, a case of simple negligence then if it is willful they don't need to give them the opportunity.

MR. FITZGERALD: Nothing in the complaint says willful. Read the complaint from the beginning to end and the word, willful, does not appear there. No intentional. They just say this is what he did.

So if they're going to get around-say that what they're doing is willful, so they get around that provision in 558(c) that we don't have to do 558(c) because what he did was willful, they haven't pleaded it. Nothing in the complaint says that what he did was willful...But I think it's pretty plain on the record that they did not comply with 558(c) and we've been at this for several months. If

they are now arguing that they don't' have to comply with 558 on various lame reasons that the investigation constitutes a substitute for 558(c) that doesn't work. They can't use an investigation…

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[PTO 02063] JUDGE TERRILL: But, I mean the bottom line is that, you know, the way I read this is that under 558(c) you're required to-I mean , I don't see where you've alleged in the complaint willfulness. Unless you can show me that, I don't see that.

MR. BAER: Your Honor, the complaint is that he knowingly did all this. And I can give you another case-

JUDGE TERRILL: It's knowing-Most statutes ay "knowing and willful." All right? If you plead 'knowing." You didn't plead "willful." I mean, this is notice of pleading, I mean, it's general pleading. It's not like fact specific pleading, like in a criminal case. You did a very thorough fact-type specific pleading, but you've got to put him on general notice as to what you're charging him with. He has to, in fairness, to defend himself, know exactly the complaint that's being lodged against him.

MR. BAER: Under every panel we also charge him with gross misconduct, which truly shows that this was not a negligence action. If I may hand you a case, Your Honor, this is from the Seventh Circuit Koden-K-O-D-E-N versus the Department of Justice. It's at 564 F2d.

JUDGE TERRILL: Is that on the face of it?

MR. BAER: And they define it as, "We think it clear if a person, one, intentionally does an act which is prohibited, irrespective of evil motive or providing an erroneous device or, two acts with careless disregard of statutory requirements, the violation is willful

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[PTO 02065] JUDGE TERRILL: With respect to your argument that you are making a case here for willfulness, and as interpreted by the case law that haw been submitted to me, both by you and by counsel for Mr. Halvonik, including the Capital Produce Company case, I will take this case as if it's being taken on a willfulness ground.

I will not grant the motion to dismiss, holding that it does apply, the willfulness exception does apply to the facts of this case, and therefore the government did not have to go through the hoop of advising Mr. Halvonik of his wrongdoing and giving him an opportunity to correct is actions. But given that I will hold the Government to a quantum of proof of willfulness.

MR. FITZGERALD: Which sort of leaves us at "C". Are they saying that Mr. Halvonik willfully failed to understand Mrs. Palmer in her invention, and therefore his first draft was willfully misdone? It leaves us at "C".

JUDGE TERRILL: Well, no, that he did so with such gross neglect of a known duty to her in his preparation of these filings. So it's a gross negligence standard. And that's the standard that will apply here.

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[PTO 02137] JUDGE TERRILL: Well, let me truncate this a little bit, Mr. Havonik, I'm not concerned if you are right or he was right, whether it should have sealant or whether it should have been adhesive. But the bottom line is that he asked you that it be adhesive. He is the client. And you didn't have that in your final draft that went forward to the Patent and Trademark Office. And that's what I have a problem with.

And I'm trying to find out why you didn't put that into the draft that went forward to the Patent and Trademark Office. When clearly in your own handwriting you acknowledge that he directed you to change sealant to adhesive. Whether or not he was right or wrong, you know, whether it was even necessary to the final patent.

Because he even seems to concede on his own testimony that, you know maybe given the fact that the final patent he got went forward with sealant. But that doesn't matter, You see it is the client' declaration and it's his oath that this is his patent and he clearly seemed to be on notice from him that you were supposed to change these key words to adhesive from sealant.

And maybe this is my own attempt to reconcile what happened here. I just assumed that you disagreed with him from a legal standpoint and went forward with what you thought was best for his patent application and didn't include it from a practitioner's standpoint.

And that's what you did. But, so why-

[Havonik]; No, I-

JUDGE TERRILL: You've told them that that's not what your thought process was. So, how is it that you were on notice that he wanted it to be adhesive and it didn't end up in the final product? [Havonik]; Okay. The notice that you are referring to is on the previous draft. I don't', after someone sign off on the last draft, I don't go, I cant, I don't want to go back and look at all the previous draft to, in other words, reexamine the whole issue.

If he signed off on it, I have to assume he agrees with the final draft.

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[PTO 02174] [BY: MR. FITZGERALD] Q: What did you do after this conversation with Nelson where he said you field the wrong draft?
[MR. HALVONIK] A: Well I told him we could refile at my expense, I also told him we had to wait to get the serial number in order to verify what papers did get filed.

So there was a period of waiting there, and the serial number with-the filing receipt with the serial number did arrive, as I recall, a little bit later than I would have wanted.

Q: When you said you could refile at his expense when would that be?

A: At any time.

Q: Did-

A: When did I say it or when could you refile?
A: When did you say you could refile? Did you?
A: At some period after-after he brought this up.

Q: I am trying to get you into the conversation with him and he's no the phone and you're talking to him.

A; Right.

Q: What did you say about refiling?
A: I said. "Hey we can file over again,' words to that effect.

Q: what did he say?
A: He didn't want me to.

Q: Would you have been able to file promptly like in a day or two/

A; Oh yeah.Yeah.

Q: Did you indicate to him you could file that day?
A: I don't recall saying what day I could make the filing.

Q: Did you talk about determining what got filed??
A:Yes, we did.

Q: Did you reach any sort of understanding with Nelson as to what you would or would not do?
A: MY understanding was wait until the serial number comes in, filing receipt comes in with the serial number, then go down there, get the case file review it to see exactly what papers did get filed

Q: After you have filed, if trouble appears and you wanted to go look at the file, can you just run back down to the Patent Office and look at what you filed?
A: Sometimes you can, not in this case.

Q: Before you get serial numbers, can you do that?
A: No.

Q: Is there a way to get serial numbers earlier than just waiting for them to come in the mail?
A: There used to be a procedure where you could get like a same day-same day serial number, and there is a certain procedure you had to use. That procedure is no longer in effect.

Other than that, you sill have to wait in the mail.

Q: There's no steps you can take that would get you those serial numbers earlier than-

A: Yes, earlier, but still in the mail. You could include stamped postcard, prepaid postcard, with your address on it and pertinent information, like the name title and they'll stamp that and send it out in the mail.

Q: Did you follow a practice of doing that with all of your applications?
A: No.

Q: So if you didn't include a postcard when it was filed not anticipating trouble, but trouble developed and after it was filed, and before you had serial numbers, you wanted to go see what you had filed, what could you do?
A: Well, you had to wait until you get the filing receipt with these serial numbers, an then-for me, I'd make call and see if they could make it, make the file available.

Q: how did you do in this case?
A: Wait unit I got the serial number.

Q: When did they come?
A: In December I believe.

Q: What part of December?
A: Don't recall.

Q After you got the serial number, what did you do?
A: Made the phone call to the Patent Office, the group handling it.

A: Is that all?
A: Well no it's not all. They said it was in central files, could not have it yet. I was told to call back at a later time, and I did so.

Q: How many times did you call?
A: At least two, probably three.

Q: Did you ever get a time when they said you could come and look at the-

A: Yes

Q: When was that?
A Late January.

[02175] Q: What happened then?
A: I think I went down-now, I believe I went down there and they said I could not have it because the examiner had the case. I then went down a day or two later and did get the case.

Q: What did you find when you got the case?
A: That those papers matched the papers I had in my file.

Q What did you do?
A: I can't recall if I made a copy of those papers that were in the file, the actual, literal papers that were stamped in. Other than that, I went back to my office and reported that to the client that these are the same papers that we filed.

Q: How did you report it to Nelson?
A: It was on the phone.

Q: What did you say, and what did he say?
A: I don't recall, other than these are the same papers that I have that you have.

Q: Did he express any unhappiness?
A: Ye.

Q: What did he say? If you can't remember the exact words, if you can remember the substance if you can't remember that, say so.

A: The substance was that he stood to lose a lot of money because of-because of an intervening product.

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[PTO 02236] JUDGE TERRILL: Well let me explain to you real simply. Whether you're right or he was right is irrelevant in my mind to this case. All right? What is relevant is what he asked you to do and whether or not you did it. That's what's relevant to me and in that sense, I care. But I don't really-you know, I don't-I don't think you're being charged with negligence for-in that charge, as I read that complaint, unless I'm reading Charge No. 2 incorrectly, I don't view them as charging you with negligently filing that application because you used the term sealant rather than adhesive. What you're being charged with and complaint of, as I understand it, is not for following your client's advice. That's how I view the complaint.

[MR. HAVONIK]; Yes, I understand, and-

JUDGE TERRILL: So when I said it doesn't matter to me, that's how I take the complaint. So you understand. So-but the red is the sealant/adhesive that's been discussed.

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[PTO 2278] [BY MR FITZGERALD] And if this is a hypothetical now if Mr. Nelson had gone to Creighton and said, I am thoroughly unhappy with my previous attorney, Mr. Halvonik, I want you to take over this case and here's what happened. I told him about sealant/adhesive, I told him about dimensions, he didn't put any of that in and here's what I sent him. And Mr. Creighton had all of that, would Mr. Creighton, under those assumptions, have everything that's needed for him to have a duty to deal with the best mode question?
[MR. KERASEK] Under those facts, then, yes. I think Mr. Creighton would have been under an obligation to bring that

best mode information to the attention of the attention of the PTO.

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[PTO 02280] [BY MR. FITZGERALD]

Q: In fact, the patent as applied for and issued described the use of a bead of urethane all the way around the windshield opening, does it not?
[MR. KARASEK] : That's right.

A: And the invention is designed to go all the way around the windshield opening and contain the urethane?
A: That's right.

Q: And you're saying the urethane is used as an adhesive?
A: That's what Mr. Nelson said, yes.

Q It functioned as an adhesive, didn't it?
A: Yes, it functioned as an adhesive.

Q: And this figure 7 shows it adhering to the windshield to the strip with a urethane adhesive right?
A: Yes.

Q: And wherever urethane is used it is used with whatever properties it has, is it not?
A: That's correct.

Q: Is it not true that if a material described in a patent application has inherent properties you don't' have to describe them all?
A: That's a true statement.

Q: So, you can describe the material and you don't' have to say all the properties that it has.

A That's also true.

Q: Could this mistake, as described by Nelson, of not changing the word sealant to adhesive have been corrected without adding new matter by going through this application and deleting the word,

sealant, wherever it appear and if there's nothing to replace it with, replace it with the word urethane?
A: I believe that's correct.

Q: So, that if it says, urethane sealant, that could bee cured by just deleting the word, sealant? It would say its urethane.

JUDGE TERRILL: Do we know that urethane is an adhesive as defined?
MR WHEALAN: I believe that assumes facts in evidence, Your Honor.

JUDGE TERRILL: Well, obviously it does, that's why I'm asking the question.

Q: Does this patent application filed by Halvonik describe the urethane as an adhesive?
JUDGE TERRILL: No, that wasn't my question.

You said if it is the inherent properties in a particular item as known to the-as I understand it-as known to the Patent and Trademark Office as having inherent qualities. Now, the question I have is, is urethane known as having inherent qualities of being an adhesive?
THE WITNESS: That would be something that there would have to be evidence on.

Q: Well, Mr. Karasek, let me ask you this and get right to the pint does the Patent Office have know in its mind, every property of every material that's described in a patent application?
MR WHEALAN: Your Honor, I don't believe he can testify to that.

JUDGE TERRILL: Well he may, we don't' know. It's overruled.

A: Certainly when your describing a material many tir[illegible] the properties of that material are unknown, by anyone including the Patent Office,. so, the answer I guess would be, no.

Q: Well let's take another example, suppose a patent application has been issued, and it's possible to come back and amend the claims is it not?
A: Yes during say every issue proceeding.

Q: And if it's discovered that after a patent application has been issued, that the material which was patented has an additional advantage and you want to claim an additional advantage because it has a property that had not discovered at the time, but is inherent in the material, you can add that claim and describe that extra property, cant' you?
A: Yes if it truly is inherent, then, yes.

Q: So, that-

A: But again, that's a question of proof.

JUDGE TERRILL: Mr. Fitzgerald, solve this mystery. Do we know for a fact, that urethane has an inherent quality the concept or quality of being an adhesive?
MR. FITZGERALD: Well, I think we do. Judge. But we-

MR WHEALAN: I would disagree.

JUDGE TERRILL: We do where? Where do we have that on the record?
MR. FITZGERALD: Mr. Nelson testified that hew as mad about it because it was an adhesive and he wanted it called adhesive and he didn't want Halvonik calling it a sealant because it was an adhesive

JUDGE TERRILL: So?
MR. FITZGERALD: So, well, that's one witness who has testified here....

MR. FITZGERALD: Let me finish my argument and then you can have yours, all right?

The inventor has said it has adhesive properties. Everything he said throughout has been that it's adhesive, and he wanted Halvonik to call it adhesive. He dint want him to call it a sealant. And Mr. Halvonik is here on trial because he didn't' call it an adhesive. And if it doesn't have adhesive properties, why are we trying Mr. Halvonik for leaving out adhesive? If they have in here s a patent application that it is adhesive-

JUDGE TERRILL: I thought he was here being tried because he didn't' do what his client asked him, irrespective of what the element of the urethane was.

MR. WHELAN: Exactly.

MR. FITZGERALD: The whole application would be false if it has not adhesive properties. The application itself is a lie to the Patent Office if urethane has no adhesive properties.

MR. WHELAN: Your Honor, you're exactly right, the reason he is on trial here is because he did not listen to his client…The key here is the client wanted adhesive urethane…He is not being tried for malpractice. We are showing the harm to the patent and the injuries that occurred…in rebuttal to his argument that there was no harm and no foul here.

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[PTO 02389] MR. FITZGERALD: Palmer he lost track of it. He tried to give her $500 back and he lost track of it. There's a serious point there about client funds. To characterize his action as misappropriation of client funds or misappropriation of her property in the same sense that attorney have been disciplined or disbarred for misappropriation of funds just boggles the imagination. It is so far off the point.

To say that he embezzled Ms. Palmer's pie plate or that he embezzled her $500 when he sent her check, tried to give it back, got in a dispute and forgot about it, and he didn't go back and return it is not misappropriation of funds, nor any need to impose sanctions, because it was not client funds. We've been into that. You Honor refers to it in your opinion. Without proving that it was client funds, you have Halvonik's funds which he failed to make a refund from, and there is no disciplinary rule that requires him to make a refund of his own funds, even when he's supposed to in a fee dispute, the discipline doesn't reach so far as fee disputes.

I quoted a section out of the Patent Office public speech f Karen Bovard (phonetic). The Patent Office doesn't get into fee disputes.

JUDGE TERRILL: Well, I disagree with you. I think that they do. In fact, they may not get into fee disputes for the purpose of returning client funds, but I think that they-you know, I don't know how you can read that one provision in the rules, unless they're expected to get into the substance of those client funds, you know, who owes what to whom.

And I think your-that's how I'm ruling on the law. Take it up on appeal. I disagree with you because I don't see how the Patent and Trademark Office could effectively enforce that rule without getting into the substance of those kinds of relationships, not for the purpose of returning a client it-because I don't think it's empowered to do that, but for the purpose of disciplining a practitioner, that doesn't comply with that rule.

MR. FITZGERALD: Step one has to be the rule of client funds. They have to be client funds. And if they're not client funds, the rule doesn't apply.

JUDGE TERRILL: I understand that, but I didn't reach that issue, and quite frankly, I'm not sure that that artifice needs to be breached, because I think that if in a practitioner's mind he knows that he owes a client a refund, they are no longer his funds.

MR. FITZGERALD: That's the basis of your honor's ruling, and-

JUDGE TERRILL: That is correct.

[PTO 02391] JUDGE TERRILL: I am actually prepared to rule, and I've heard the argument this morning. I've listening to Mr. Halvonik very carefully. The offenses-and I want to make clear how I view what Mr. Halvonik was involved in.

With respect to Nelson, it's not just the gross negligence in failing to follow the client's directions. It's that he proposed, advanced and participated in a scheme essentially to avoid a patent

and practice rule, and that's the misconduct. It's not just the failure to review the application when it came in from the client. It's that he created this artifice to avoid this rule. Now, I understand he's corrected that. He's now having his clients initial. But what he participated in was more than just a gross negligence action. That's now what the misconduct was. It was far greater action. And it clearly neglected his client when the client wanted him to file and find out what the status of the-what actually has been filed.

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UNITED STATES DEPARTMENT OF COMMERCE UNITED STATES COMMISSIONER OF PATENTS AND TRADEMARKS

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

APPEAL OF RESPONDENT TO UNITED STATES COMMISSIONER OF PATENTS AND TRADEMARKS

Henry St. John Fitzgerald, Esq.

2200 Wilson Boulevard, Suite 800

Arlington, VA. 22201

(703) 525 8753
David P. Sheldon, Esq.
Feldesman, Tucker, Leifer, Fidel & Bank
2001 L. Street, N.W. Suite 300

(202) 466 8960
Counsel for Respondent

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[p. 9] The historic procedure of the Director and the Committee in carrying out these regulations, from which this Director deviated for this case, have been described in official publication of the PTO and which were filed by the Director in this case as attachment to a pleading entitled "Director's Supplemental Response to Respondent's Request for Production of Documents." These attachments bear Bates numbers 1000 through 1160. In these is found the following:... [p. 10] The Committee on Discipline functions in the manner similar to that of a mini grand jury. The members of the Committee consist of the chairman and the vice chairman of the Board of Paten Appeals and Interferences and the chairman of the Trademark Trial and Appeal Board. [Citing 37 CFR 10.4(a)]. The first step in initiating a disciplinary proceeding is to prepare a charging document in the form of a formal Complaint pursuant to Rule 10.134. The Complaint sets forth one of more counts, each describing an alleged violation of the Disciplinary Rules. The evidence to support each count is attached to the Complaint. [Citing 37 CFR 10.134] The complaint is presented to the Committee on Discipline. The Committee deliberates, in closed session, and by majority vote determines, as to each count, whether there is probable cause to bring charges against the practitioner. [citing 37 CFR 10.4(b)] (At Bates 001135)

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[p. 12] There was no evidence that the Committee was asked to consider charges that the Respondent acted willfully as to each violation. In the absence of compliance with §558(c) of Title 5, U.S.

Code, willfulness is an essential element of any offense which can be brought against a practitioner. For the director to comply with the mandate of §10.132 the Director should have presented to the Committee charges containing willfulness as an element of each offense. She failed to prove that she did that; and the available evidence indicates that she did not...

[21] III The charge that Respondent 'neglected a legal matter entrusted to him" by not trying more diligently to gain access to PTO file on the Nelson application was not made in the complaint and cannot be added now.

A. The Administrative Law Judge erroneously added a charge to the Complaint and found a disciplinary violation under that newly added charge.

> The ALJ's words are:
> With respect to the charge that Respondent neglected a legal matter entrusted to him thereby failing to act competently in violation of 37 CFR §10.77(c), I note that Respondent was not charged with violating of 37 CFR §10.77(a) or (b)...
>
> While not specifically noted as neglected in the Complaint, Respondent did neglectfully fail to timely follow up and review the PTO file as Nelson requested to determine if the file contained the draft copy...Given that this is a civil proceeding, specific fact pleading is not required...

To add a new charge [22] against Respondent after all the evidence is completed including the respondent's own testimony, and to find Respondent guilty under that new charge based on the record already closed, and then impose a loss of property based in part upon the surprise charge violates due process and cannot be allowed to stand...

A proceeding to deprive a professional practitioner of his license to practice his profession temporarily or permanently, has

long been held to be quasi-criminal in a nature in which the full range of constitutional due process protections apply. [citing Rufalo, In re Oliver, and In re Gault]

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PTO's OPPOSITION TO PETITIONER'S MOTION

C. Halvonik's conduct was not permissible under the PTO rules.

Halvonik also argues that his "screw up" did not violate any disciplinary rules because 37 CFR §1.67 permits an applicant to file a supplemental oath or declaration when changes need to be made to a patent application. Pet. Mem. at 20. That argument, however, fails to take into account 37 C.F.R>§1.67(b) which states: "No new matter may be introduce into a non provisional [patent] application after its filing date even if a supplemental oath or declaration is filed." As the ALJ specifically found, Mr. Nelson could not have amended his application to add the ignored correction, because such changes would have constituted new matter. PTO 1060; see 35 U.S.C. § 132 ("No amendment [to an application]] shall introduce new matter into the disclosure of the invention.") Thus, Halvonik's attempt to seek cover under 37 C.F.R. §1.67(c) is to no avail. In addition, Halvonik's own expert witness, Jerome Norris, testified that "[y]ou can never make correction after the declaration is signed. You can't'. The rule forbids that." PTO2044; see also PTO2033. Accordingly, Halvonik's statement that "filing [the application] just as he did was a perfectly strategy" (Pet. Mem. at 22) is wrong.

Halvonik asserts this specific charge that he "neglected a legal mater entrusted to him, "was not made in the Complaint. Citing In re Ruffalo, 390 U.S. 544 (1968), he argues that therefore he did not receive fair notice of the charge. Pet. Mem. at 24-25. That assertion is wrong and is contradicted by the record. As the ALJ correctly

noted, the Complaint related the neglect charge to all of Halvonik's handling of Mr. Nelson's application. PTO 1041 [ALJ 61]. Furthermore, the Director's Pre-Trial Brief clearly and unmistakably put Halvonik on notice before the hearing that the charge of neglect extended to his unjustified delay in determining what he had file with the PTO. PTO 0649 (Halvonik's filing of an complete draft application for Nelson, failure to remedy the mistake in a timely manner, and failure to communicate with Nelson in a timely manner indicates neglect of a legal matter.") Se also PTO 0650 ("Halvonik represented to Nelson that he would check on the matte, but instead never informed Nelson of the status of the application nor informed Nelson which draft was actually filed until early February, 1993.")

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[02513] UNITED STATES DEPARTMENT OF COMMERCE
UNITED STATES COMMISSIONER OF PATENTS AND TRADEMARKS

KAREN L. BOVARD

Director, Office of Enrollment

and Discipline

Petitioner

v. Proceeding D96-03

JOHN P. HALVONIK

Respondent

DIRECTOR'S REPLY...

[02526]

Despite the undisputed facts that the client "spoon fed" (ID I at 58) Mr.Havonik the corrections to the drafts, Mr. Halvonik filed an

application that his client had not approved. Moreover, the changes could not have been made after filing due to the rules against adding new matter. (ID I at 80) Event Mr. Halvonik's expert admitted that adding numeral dimensions to the blanks left in the patent application would have constituted new matter. ID I at 80)Additionally both experts testified that an attempt to change "sealant"to adhesive" would also have risked a new matter rejection (ID I at 80)

Mr. Halvonik's challenge to the ALJ's finding of misconduct relating to the Nelson matter should be rejected First the promulgation history that Mr. Halvonik cites clearly indicates that a practitioner will be subject to discipline if he or she submits improper declarations. The fact that the office allows applicants to cure mistakes in declarations is not a license to allow practitioners to submit improper declarations. Second, Mr. Halvonik's argument that his client was not harmed by his grossly negligent behavior is both incorrect and irrelevant. Mr. Nelson was forced to seek new counsel after receiving such shoddy representation from Mr. Halvonik.

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IN THE UNITED STATE DISTRICT COURT FO THE DISTRICT OF COLUMBIA

JOHN HALVONIK
806 West Diamond Ave. #301
Gaithersburg, MD. 20878

Petitioner

v. Civil Action Number 99-863 (TPJ)

Q TODD DICKINSON
Acting Commissioner of Patents
Crystal Park #2, Suite 906
Arlington, VA. 22215

Respondent.

MOTION OF PETITIONER FOR SUMMARY REERSAL OF FINAL DECISION OF COMMISSIONER.....

[15] But the complaint in this case does not allege willfulness anywhere in it. For that reason the entire Complaint is fatally defective. U.S. v Gaudin, 515 U.S. 506, 115 S.Ct.2310, 132 L.Ed.2d 444 (1996).

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Section 3. Relevant Laws (U.S. Code "U.S.C."); Regulations (Code Federal Regulations "C.F.R.") and Formal Rule Making (Federal Register, "F.R."):

5 U.S.C. § 558. Imposition of sanctions; determination of applications for licenses; suspension, revocation, and expiration of licenses.

(a) This section applies, according to the provisions thereof, to the exercise of a power or authority.

(b) A sanction may not be imposed or a substantive rule or order issued except within jurisdiction delegated to the agency and as authorized by law.

(c) When application is made for a license required by law, the agency, with due regard for the rights and privileges of all the interested parties or adversely affected persons and within a reasonable time, shall set and complete proceedings required to be conducted in accordance with sections 556 and 557 of this title or other proceedings required by law and shall make its decision. Except in cases of willfulness or those in which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefore, the licensee has been given -

(1) notice by the agency in writing of the facts or conduct which may warrant the action; and

(2) opportunity to demonstrate or achieve compliance with all lawful requirements. When the licensee has made timely and sufficient application for a renewal or a new license in accordance with agency rules, a license with reference to an activity of a continuing nature does not expire until the application has been finally determined by the agency.

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5 U.S.C. § 706. Scope of review

To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall--

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be--

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

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§32. Suspension or exclusion from practice

The Director may, after notice and opportunity for a hearing suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title [35 USC 2(b)(2)(D)], or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section. The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Director upon the petition of the person so refused recognition or so suspended or excluded

35 U.S.C. 255 Certificate of correction of applicant's mistake.

Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the Patent and Trademark Office, appears in a patent and a showing has been made that such mistake occurred in good faith, the Director may, upon payment of the required fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require reexamination. Such patent, together with the certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

RELEVANT REGULATIONS (37 Code of Federal Regulations C.F.R.).

Old Rule 52 regarding signing patent declaration:

37 C.F.R. § 1.52 (c) …Application papers containing alterations made after the signing of an oath or declaration referring to those application papers must be supported by a supplemental oath or declaration under §1.67(c). after the signing of the oath or declaration referring to the application papers, amendment may be made in the manner provided by §§1.121 and 1.123 through 1.125.

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Amended Rule 52 regarding signing patent declaration:

37 C.F.R. § 1.52...(c) 1. Any interlineations, erasure, cancellation or other alteration of the application papers filed must be made before the signing of any accompanying oath or declaration pursuant to sec. 1.63 referring to those application papers and should be dated and initialed or signed by the applicant on the same sheet of paper. Application papers containing alterations made after the signing of the oath or declaration referring to those application papers must be supported by a supplemental oath or declaration under sec.1.67. In either situation, a substitute specification sec 1.125 is required if the application papers do not comply with paragraphs (a) and (b) of this section. [published 1/17/92 at 57 FR 2020, effective 3/16/92

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Old "Rule 56":

37 C.F.R. § 1.56…

(c) Any application may be stricken from the files if:…4) The application papers filed in the office are altered after the signing of an oath or declaration pursuant to 1.63 referring to those application papers. [Deleted by final notice published 1/17/92 at 57 FR 2021, effective 3/16/92]

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Amended "Rule 56":

1.56 Duty to disclose information material to patentability.

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

> (1) prior art cited in search reports of a foreign patent office in a counterpart application, and
>
> (2) the closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines,

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied on by the Office, or

(ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

(d) Individuals other than the attorney, agent or inventor may comply with this section by disclosing information to the attorney, agent, or inventor.

(e) In any continuation-in-part application, the duty under this section includes the duty to disclose to the Office all information known to the person to be material to patentability, as defined in paragraph (b) of this section, which became available between the filing date of the prior application and the national or PCT international filing date of the continuation-in-part application. [notice published 1/17/92, at 57 FR 2034, effective 3/16/92]

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37 C.F.R. § 1.63...(b) In addition to meeting the requirements of paragraph (a) of this section, the oath or declaration must also:

(1) Identify the application to which it is directed;

(2) State that the person making the oath or declaration has reviewed and understands the contents of the application, including the claims, as amended by any amendment specifically referred to in the oath or declaration; and

(3) State that the person making the oath or declaration acknowledges the duty to disclose to the Office all information known to the person to be material to patentability as defined in § 1.56.

***

37 C.F.R. § 1.67 Supplemental Oath or Declaration

a) The office may require or inventors and applicants may submit, a supplemental oath or declaration meeting the requirements of sec. 1.63 or 1.162 to correct any deficiencies or inaccuracies present in the earlier filed oath or declaration...

(c). A supplemental oath or declaration…must also be filed if the application was altered after the oath or declaration was signed. [notice published 1/17/92, at 57 FR 2034, effective 3/16/92]

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37 C.F.R. § 10.1: Nothing in this part shall be construed to preempt the authority of each state to regulate the practice of law, except to the extent necessary to accomplish its Federal objectives.

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37 C.F.R. §10.4 Committee on Discipline.

(a) The Commissioner shall appoint a Committee on Discipline. The Committee on Discipline shall consist of at least three employees of the Office, none of whom reports directly or indirectly to the Director or the Solicitor. Each member of the Committee on Discipline shall be a member in good standing of the bar of a State.

(b) The Committee on Discipline shall meet at the request of the Director and after reviewing evidence presented by the Director shall, by majority vote, determine whether there is probable cause to bring charges under § 10.132 against a practitioner. When charges are brought against a practitioner, no member of the Committee on Discipline, employee under the direction of the Director, or associate solicitor or assistant solicitor in the Office of the Solicitor shall participate in rendering a decision on the charges.

(c) No discovery shall be authorized of, and no member of the Committee on Discipline shall be required to testify about, deliberations of the Committee on Discipline.

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§10.23 Misconduct.
(a) A practitioner shall not engage in disreputable or gross misconduct (b) A practitioner shall not:...

(6) Engage in any other conduct that adversely reflects on the practitioner's fitness to practice before the Office.

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Old rule 10.23(c) re: signing the application:

§10.23 Misconduct.

(c) Conduct which constitutes a violation of

paragraphs (a) and (b) of this section includes, but is not limited to:..(11) Knowingly filing or causing to be filed an application which is subject to be stricken under §1.56(c) of this subchapter.

***

Amended rule 10.23(c) re: signing the application:

§10.23 Misconduct.

(c) Conduct which constitutes a violation of paragraphs (a) and (b) of this section includes, but is not limited to:...(11) Except as permitted by § 1.52(c) of this chapter, knowingly filing or causing to be filed an application containing any material alteration made in the application papers after the signing of the accompanying oath or declaration without identifying the alteration at the time of filing the application papers. (published 1/17/92 at 57 F.R. 2036)

§10.77 Failing to act competently. A practitioner shall not:(c) Neglect a legal matter entrusted to the practitioner.

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37 C.F.R. § 10.112...(c) a practitioner shall...(4) Promptly pay or deliver the client as requested by the client the funds securities, or other properties in the possession of the practitioner which the client is entitled to receive.

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§10.132 Initiating a disciplinary proceeding; reference to an administrative law judge.

(a) If after conducting an investigation under § 10.131(a) the Director is of the opinion that a practitioner has violated a Disciplinary Rule, the Director shall, after complying where necessary with the provisions of 5 U.S.C. 558(c), call a meeting of the Committee on Discipline. The Committee on Discipline shall then determine as specified in § 10.4(b)

whether a disciplinary proceeding shall be instituted under paragraph (b) of this section.

(b) If the Committee on Discipline determines that probable cause exists to believe that a practitioner has violated a Disciplinary Rule, the Director shall institute a disciplinary proceeding by filing a complaint under § 10.134. The complaint shall be filed in the Office of the Director. A disciplinary proceeding may result in:

(1) A reprimand, or

(2) Suspension or exclusion of a practitioner from practice before the Office.

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37 C.F.R. 10.145. "In case of a variance between the evidence and the allegations in the complaint, answer or reply, if any, the administrative law judge may order or authorize amendment of the complaint, answer or reply to conform to the evidence. Any party who would otherwise be prejudiced by the amendment will be given reasonably opportunity to meet the allegations in the complaint, answer or reply as amended ....

SELECTED FORMAL RULE-MAKING, PUBLISHED IN THE FEDERAL REGISTER ("F.R.") BY THE USPTO

49 F.R. 10020...Section 10.145 would provide for a procedure for handling cases where there is a variance between the allegations in the pleading and the evidence. Any party would be given reasonable opportunity to meet the allegations in the amended complaint or answer. See In re Ruffalo.

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49 F.R. 33793; col. 2-3...."Administrative delays would take place because it would be more difficult to arrange times for the Committee to meet...By having the Committee on Discipline composed of PTO employees there would be minimal administrative problems in arranging for and holding meetings of the Committee."

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50 F.R. 5162..."Administrative delays would take place because it would be more difficult to arrange times for the Committee to meet."